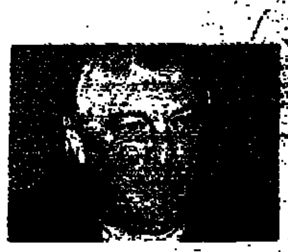


Hong Kong airport
Patten's first brush with China
Page 3

Stee
Déjà vu on dumping
Page 6

ussein
On shifting ground
Page 11

The Mediterranean
Dealing with a liquid dustbin
Page 8

FINANCIAL TIMES

Wednesday July 22 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

Telekom goes to top of Germany's state sell-off list

Bonn is to press on with its long-term aim of withdrawing completely from business and industry with the sale of "a good two dozen" state concerns, German finance minister Theo Waigel announced yesterday.

Announcing a wide-ranging privatisation programme, he said Deutsche Telekom, German telecommunications network, would be sold off after a change in the constitution. The government will also quickly sell off its remaining 51 per cent stake in national carrier Lufthansa. Page 12

D-Mark grows firmer: The pound remained weak against the D-Mark, which continued to strengthen in spite of Monday's concerted central bank intervention to damp its recent rise. After falling early yesterday the pound rose in late trading to close unchanged on the day at DM2.8425. Page 6; Threat to EMS, Page 2; Uncertainty in a stable world, Page 10; Currencies, Page 28

Work stops at 55: Formal employment for men and women aged 55 or over is going out of fashion in the industrialised world, says the Organisation for Economic Co-operation and Development, notably in Italy where only 10.9 per cent of men over 55 are employed. Page 12; OECD jobless total, Page 3

Sarajevo 'needs 40,000 peace force'

A United Nations force of 40,000 would be needed to make peace effectively in Sarajevo alone, said General Lewis MacKenzie (left), who commands the troops guarding the airport in the Bosnian capital. "This is the first time a [UN] peace-keeping force has been deployed when there's no peace to keep." The UN had never converted a peacekeeping to a peacemaking force, and it was impossible to do this, he said. Page 12; Boutros Ghali attacks peace plan, Page 2; Editorial Comment, Page 10

Brittan seeks backing on Perrier: EC competition commissioner Sir Leon Brittan says competition policy will be damaged unless the EC commission backs him and approves Swiss food group Nestlé's FFr15.46bn ($3bn) bid for French mineral water group Perrier. Page 2

'Dirty tricks' denial by UK ministers: The UK government was thrown on the defensive after allegations of "dirty tricks" during the general election campaign forced cabinet members to deny that they were involved. Page 6

Swiss in IMF dispute: Switzerland's planned entry into the International Monetary Fund is threatening to upset the delicate balance in the organisation between developing and industrialised nations. Page 4

Citicorp, largest US banking group, provided evidence of a solid recovery in overall earnings with second-quarter net profit of $171m in spite of a tripling of north American commercial property losses. Page 13

Hong Kong airport setback: Hopes for early agreement on financial arrangements for Hong Kong's HK$175.3bn (US$22.15bn) airport and related projects collapsed when China accused the Hong Kong government of misleading the colony and the international community about the project. Page 3

Roche, Swiss pharmaceuticals group, has reported a 19 per cent increase in sales to SFr6.6bn ($5.03bn) for the first half of 1992. The company reported strong gains in sales of existing drugs acceptance of new products. Page 14

National Australia Bank, Australian trading bank, offered NZ$0.80 a share for Bank of New Zealand, New Zealand's largest commercial bank, valuing it at NZ$1.48bn (US$800m). Page 13

WestLB, acquisitive state bank of North Rhine-Westphalia, appears poised to take a substantial stake in Landesbank Rheinland-Pfalz, state bank of its closest southern neighbour. Page 14

SmithKline profit up: Buoyant pharmaceutical sales helped SmithKline Beecham, Anglo-US drugs and consumer products group, raise pre-tax profits to £245m ($468m) from £230m for the second quarter. Page 13

Nortel earnings down: Canadian telecommunications equipment maker Northern Telecom suffered a drop in second-quarter earnings to $72.3m because of the disposal of businesses bought as part of the acquisition of Britain's STC. Page 15

■ STOCK MARKET INDICES		
FT-SE 100:	2,415.6	(+11.9)
Yield	5.06	
FT-SE Eurotrack 100	1,075.64	(+11.60)
FT-A All-Share	1,167.21	(+0.4%)
FT-A World Index	137.52	(-0.1%)
Nikkei	16,082.41	(+117.93)
New York:		
Dow Jones Ind Ave	3,398.41	(+5.41)
S&P Composite	413.76	(+0.01)
■ US CLOSING RATES		
Federal Funds:	2¾%	(3¼%)
3-mo Treas Bills: Yld	3.250%	(3.239%)
Long Bond	103 15/32	(103 5/32)
Yield	7.654%	(7.657%)
■ LONDON MONEY		
3-mo Interbank	10 11/16%	(10⅝)
Liffe long gilt future:	Sep 98 11/32	(Sep 98 15/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Sep)	$20.175	(20.075)
■ Gold		
New York Comex (July)	$357.6	(359.1)
London	$357.85	(358.05)

■ STERLING		
New York:		
$	1.9095	(1.9055)
London:		
$	1.909	(1.918)
DM	2.8425	(same)
FFr	9.6025	(9.585)
SFr	2.5275	(2.5175)
Y	239	(240.25)
£ index	91.9	(92.2)
■ DOLLAR		
New York:		
DM	1.4865	(1.4935)
FFr	5.0225	(5.041)
SFr	1.32335	(1.3225)
Y	125.1	(125.46)
London:		
DM	1.4885	(1.4815)
FFr	5.03	(5.0025)
SFr	1.3235	(1.313)
Y	125.25	(same)
$ index	60.5	(60.3)
Tokyo close Y 125.12		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	CC1.00	Indonesia	Rp3800	Nigeria	Naira29	Sweden	SKr14
Czech	Kcs39	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Iraq's defiance of UN raises possibility of air attack

By Mark Nicholson, Middle East Correspondent, in London

AN AIRSTRIKE by the Gulf war allies against Iraq is more likely now than at any time since the war because of Baghdad's continued defiance of United Nations weapons inspectors, US and British officials said yesterday.

Diplomats at the UN said there was unanimity among the 15 Security Council members that Iraq could not be allowed to get away with denying a team of weapons inspectors access to a ministry building from which it has been barred for 17 days.

The US, Britain and France have begun consultations on the possible use of force should Iraq continue to resist the UN team's request to enter the building.

The revival of a serious military option against Iraq follows growing concern and frustration among the Gulf war allies, not just at Iraq's defiance of the inspectors, but also with an accumulation of other recent rebuffs to the UN and a spate of unexplained attacks on UN guards operating in northern Iraq.

Furthermore, US officials said the Security Council was determined it should not be seen to be a pushover while continuing tense operations in Cambodia and the former Yugoslavia. "The council is not at this point going to allow itself to be regarded as a pussycat," one diplomat said.

Sir David Hannay, the British ambassador to the UN, said publicly on Monday that military action against Iraq had not been ruled out. In private yesterday, senior British officials said the UN's patience with Iraq was on the brink of running out.

They believe an air strike could be made without further UN resolutions, given that Iraq's defiance of the UN inspection team constitutes a "material breach" of the Gulf war ceasefire resolution.

Nevertheless, US and British diplomats in New York shied away from reported comments by an anonymous Security Council diplomat suggesting that a strike against Iraq was "inevitable" and would take place within 10 days.

They pointed out that "serious consequences" for Iraq would be averted if it allowed the UN weapons inspectors access to the agriculture ministry building in Baghdad. Relays of inspectors have parked outside the building since July 5, demanding admission under ceasefire terms.

● Raised tensions in the stand-off came amid unconfirmed reports that Iraqi President Saddam Hussein had been assassinated. The reports, filed originally by the Egyptian Middle East News Agency, were apparently prompted by an interruption in normal service on Baghdad radio yesterday morning, when programmes were replaced by readings from the Koran.

However, normal service resumed yesterday afternoon and no information was available to confirm the rumours.

The real issue in Iraq, Page 11

Greenspan forecasts pick-up in US economy

By George Graham in Washington

ECONOMIC GROWTH in the US will soon pick up again, and any effort by Congress to hasten the recovery by cutting taxes will probably be counterproductive, Mr Alan Greenspan, the Federal Reserve chairman, said yesterday.

"I expect that the economic expansion will soon gain momentum, which lower inflation should help to maintain," Mr Greenspan told the Senate banking committee in presenting the central bank's twice yearly report to Congress on monetary policy and economic prospects.

Mr Greenspan faced a hostile congressional audience, led by Senator Donald Riegle of Michigan, who attacked him for lowering interest rates too slowly and for believing monetary easing alone would be enough to lead the US economy to recovery. "I don't hear you saying anything different to the people out there in the country who are in trouble except: 'hang on'," he said.

Mr Greenspan acknowledged the jobless rate was much worse than he had anticipated a year ago. This was because a greater proportion of the population than expected was entering the work-force, rather than following alternatives such as further education or home-making.

The size of the federal budget deficit had severely limited the choices available, he said, and any effort to "jump start" the economy with a package of tax incentives would be dangerous.

"I will not deny that there is a possibility that if some fiscal stimulus were enacted we would accelerate near term. I think that is highly risky... and could probably be counterproductive," Mr Greenspan warned. "I do not believe this notion that we can jump start the economy... The relevant analogy is turning an ocean liner around."

In a session notable for its almost total lack of any reference to exchange rates or to Monday's concerted intervention by central banks to halt the slide of the dollar, Mr Greenspan spent much of his time defending the Fed's slow but steady policy which has resulted in 23 easings of monetary policy over the last three years – the last of which cut the discount rate (at which the Fed lends to banks) to 3 per cent earlier this month.

Any attempt to lower short-term interest rates faster, he said, would simply have pushed long-term rates higher because it would have provoked fears of a revival of inflation.

Mr Greenspan said the Fed expected consumer prices to rise by between 2¾ and 3¼ per cent next year. "Were this to be realised, inflation would be about back to a pace last seen on a sustained basis around a quarter century ago," he said.

Greenspan takes up cudgels for the Fed, Page 4
Lex, Page 12

Yitzhak Rabin, Israeli prime minister (left), and Egyptian president Hosni Mubarak after their meeting yesterday

Mubarak ready for Israel visit

By Tony Walker in Cairo

PRESIDENT Hosni Mubarak of Egypt said yesterday he was ready to visit Israel, but indicated that further substantial progress was needed towards Middle East peace before he travelled to the Jewish state.

Opening a new chapter in relations with Israel, Mr Mubarak met the Israeli prime minister, Mr Yitzhak Rabin, and said the two were committed to advancing peace efforts.

The Egyptian leader has previously said he was prepared to travel to Israel when the time was right. "Mr Rabin invited me but frankly speaking, I need no invitation," Mr Mubarak said. "My response is positive to Mr Rabin." But Mr Mubarak made it clear that Egypt was expecting "much more" from Israel towards halting settlement construction in the occupied West Bank and Gaza Strip. Asked about the Rabin government's moves to freeze settlement activity temporarily, Mr Mubarak declared, with the Israeli leader seated next to him: "It is a good step on the right track and we appreciate it, yet we need much more. But we leave it to him now." Neither leader mentioned any specific agreements about joint efforts to revitalise the peace process, but it seems likely that the two will co-ordinate closely in the weeks ahead.

Mr Rabin welcomed an Egyptian offer to host bilateral talks between Israel and her Arab neighbours, including Syria, Lebanon and a Jordanian-Palestinian team. However, he indicated that the negotiations launched in Madrid last October would resume in Rome and may move to Cairo later.

Mr Rabin, who is on his first trip abroad since being sworn in earlier this month, called on other Arab states to follow Egypt's example and make peace with Israel. "I believe the time has arrived... for other countries, for other peoples, to divert from war, from the course of confrontation, and embark on the

Continued on Page 12

BA link with USAir creates world's biggest air network

By Daniel Green in London and Nikki Tait in New York

BRITISH AIRWAYS is buying a stake in USAir, the sixth biggest US airline, in a move that creates the world's biggest airline alliance.

BA is paying $750m initially for a stake of up to 44 per cent in USAir, to be held in the form of convertible shares. US regulations limit foreign ownership of voting shares so the British airline will only have 21 per cent of voting rights.

The combined operation will link the world's biggest air network with the third biggest US domestic network and carry more passengers than any other airline.

BA's biggest deal since it was privatised in 1987 closes a long and frustrating period for the company, providing a long-sought foothold in the huge north American market.

"We have been stalking a number of airlines for some time," Lord King, non-executive chairman, said yesterday. "The catchment area for BA is this little island. For USAir it is a very large part of the US."

It also throws a lifeline to USAir, which has incurred after-tax losses of $760m during the last two years and has debts of more than $2bn. But Mr Seth Schofield, president of USAir, denied that BA's capital injection was a rescue deal. "We still had strong liquidity and we would have been a survivor," he said.

Investors in London and New York welcomed the deal. British Airways shares rose 10p to 268p in London and USAir shares rose $1⅛ to $14¼ on Wall Street.

Meanwhile, Standard & Poors and Moody's, US rating agencies, placed USAir's debt ratings under review for a possible upgrade.

Either BA or USAir can pull out if the deal is not completed by Christmas Eve this year. To ease the way through US anti-trust laws, BA will take over running USAir's few existing trans-atlantic routes.

In the US, the deal will need clearance from both the Department of Justice and the Department of Transportation. Mr Schofield made clear that the carriers will argue that the deal improves competition, creating a stronger rival to the three US mega-carriers – Delta, American and United.

The tie-up is likely to increase the pressure on US and European transport authorities to speed the process of deregulation.

Mr Stephen Wolf, chairman of United Airlines, the second biggest US carrier, said the deal presented "a singular opportunity to achieve competitive breakthrough in air services between the US and Britain".

USAir stressed that the link-up with BA was independent of talks with other carriers, such as the bankrupt Trans World Airlines. It said that BA's cash would go first to pay off bank debt.

However, if assets became available, Mr Schofield did not rule out using some of the cash for acquisitions. As far as alliances with other carriers were concerned – USAir had, for example, been talking to Air Canada – Mr Schofield said that these would now be "reviewed".

Lex, Page 12
BA's global dream, Page 13
Aer Lingus losses, Page 18

CONTENTS

Fidelity Money Funds

Better Rates than a Bank Deposit in 15 Currencies.

Fidelity Money Funds are the flexible, tax-efficient way to manage cash balances around the world.

The Fidelity organisation is a leading money manager, looking after over $60 billion in cash products worldwide. The new Fidelity Money Funds cover 15 major currencies, each offering high, wholesale rates of interest with security. The interest is paid out or accumulated gross, and there's free conversion at competitive exchange rates.

What's more, with no minimum investment levels and easy access, you don't have to commit yourself to discover the flexible alternative.

The distributor of Fidelity Money Funds is Fidelity Investments Distributors, Bermuda. For more information, including current interest rates for each currency, contact one of the Fidelity offices below, or return the coupon.

United Kingdom
Tel: 44 732 361144 Fax: 44 732 838886

Jersey
Tel: 44 534 39888 Fax: 44 534 34244

Hong Kong
Tel: 852 848 1000 Fax: 852 845 2608

Luxembourg
Tel: 352 250 404 231 Fax: 352 250 340

To Fidelity Investments European Service Centre, 3rd Floor Kansallis House, Place de l'Etoile, BP 2174, L-1021 Luxembourg. Please send me details of Fidelity Money Funds.

Full name (Mr/Mrs/Miss)
Address
Postcode
Country
Tel. No.

Fidelity Investments

Yeltsin aide rejects liberal dream

By John Lloyd in Moscow

A SENIOR adviser to the Russian president has called for Russia to "abandon the liberal approach" in both foreign and domestic policies, and to cease attempting to integrate itself into the western economies.

Mr Sergei Stankevich, a state counsellor and a former deputy mayor of Moscow, yesterday called a press conference with the sole apparent aim of putting on the record his opposition to the "liberal dream" of a market economy and democratic institutions – calling instead for the creation of a "strong central power... to carry out reform".

Mr Stankevich is a prominent and still-young politician who has made his name as a radical democrat over the past five years. However, he has been moving steadily towards a more outspokenly authoritarian position under the impact of the worsening economic crisis and the fractious relations between Russia and the other former Soviet states, which expose Russians in these states to increasing tension.

Figures published earlier this week by the Russian Statistical Committee showed sharp falls in every branch of production in the first half of the year – including 13 per cent in oil, 12 per cent in coal, 4 per cent to 13 per cent in chemicals and petrochemicals, 14 per cent in cement and building materials, and by more than 20 per cent in paper. The rouble, no longer supported by interventions of the central bank, has sunk to 150 to the dollar.

Mr Stankevich, who insisted he was an individual voice, also admitted his ideas were close to those of General Alexander Rutskoi, the Russian vice-president. Gen Rutskoi's party, Free Russia, has formed the "Civic Union" coalition with the Democratic party and the Union of Industrialists to create a powerful and increasingly vocal bloc espousing the kind of ideas publicised yesterday by Mr Stankevich.

The state counsellor stressed the "Russianness" of his ideas, saying that the country was now rejecting the notions of the westernisers who took power after the collapse of communism, in favour of a balance between east and west. In economic reform, he said, the government's ideas on market reform had been discredited, and should be replaced by "active industrialism" – that is, "capitalism with a very active oversight by the state".

Mr Stankevich drew a parallel here with the statesman Mr Pyotr Stolypin, whose reforms from 1905 until his assassination in 1911 laid the base for private farming under authoritarian Tsarist rule.

If Rome opts for devaluation others may follow and the EMS could fall apart

THE VIEW FROM SIX CAPITALS

ITALY

Membership of the narrow band of the exchange rate mechanism since 1990 has been uncontested in Italy and has been the country's sole consistent aspect of economic policy. The new Amato government would be most reluctant to consider realignment until assured of backing from the main political parties for its new emergency budget and until after 1993 budget outlines have been prepared.

FRANCE

Government would fiercely resist realignment which revalued D-Mark, having fought over past decade to hold policy of monetary and budgetary rigour. Inflation has stayed below German levels for past 13 months, and France feels well on way to earning as much credibility as Germany in the debate on Europe's monetary future. It has no interest in surrendering these gains, least of all when there is no economic need.

GERMANY

Preoccupations, manifested by actions of Bundesbank, have a twin focus: D-Mark's role as guarantor of German economic wellbeing, and currency's anchor function in EMS. Argument runs that, if D-Mark unstable then so is EMS. Bank says recent discount rate rise intended to stabilise monetary growth while causing as little upset as possible. Officials imply what others do is up to them, offering no judgment whether realignment necessary or desirable.

PORTUGAL

Having only recently joined the exchange rate mechanism to promote its programme for EC economic convergence, Portugal favours the status quo. It sees no reason for realignment, emphasising that current tensions are not due to the escudo. The currency entered the 6 per cent wide band of the ERM in April and has remained at the top of the EMS grid since.

SPAIN

The government denies rumours that it is pressing for realignment and insists interest rates will remain high to stall inflation. Spain's new fiscal package will save Pta326bn (£1.781m) in tax increases and budget cuts. Central bank intervention allows controlled peseta slide against D-Mark closer to narrow band parity. Spain may take advantage of realignment but does not want to precipitate it.

UNITED KINGDOM

Debate growing in Britain about membership of the ERM. There are fears that membership, should Germany again tighten monetary policy, would force the UK to raise base rates and risk pushing the country towards economic slump, or otherwise see sterling come under pressure in the ERM. Nevertheless, the government says it firmly committed to keep sterling at central parity of DM2.95.

Italian lira: the sick currency of Europe

By James Blitz

FOREIGN exchange dealers have regarded the Italian lira as the sickest currency in Europe for months. Its failure to respond to extensive Bank of Italy support now makes it a prime candidate for devaluation, perhaps as part of a general realignment of the European Monetary System (EMS), according to London market analysts.

Devaluation of the lira would further weaken market confidence in the EMS. Despite Monday's concerted intervention by central banks to prop up the dollar, there is still pressure on the UK to devalue sterling against the D-Mark, and even to leave the ERM altogether. Dealers in the foreign exchange market fear that if the Italians devalue now, the move will encourage other EMS member countries, such as Britain, to follow – and the EMS could fall apart.

Since the spring, the Italian authorities have done everything in their power to stop the fall of the lira. They have raised the discount rate by 1.75 per cent in the last fortnight, to 13.75 per cent, to make the rate of return on lira investment more attractive. They have also actively intervened in foreign exchange markets, buying lira and selling D-Marks to keep the currency above its permitted lows in the EMS. The Italian central bank's governor repeated this week that a devaluation of the lira was out of the question.

But yesterday, the lira looked as anaemic as ever, falling dangerously close to its permitted lower limit against the D-Mark of L765. "The Italians could well devalue the exchange rate at any time in the next three months," says Mr Neil MacKinnon, chief economist at Yamaichi International in London.

Several factors have undermined the lira.

● Italy's political uncertainties are chief among them. It took over six weeks to form a coalition government, led by Prof Giuliano Amato, who now has a meagre 16-seat majority in parliament. The government's difficulties in fighting organised crime are also growing, with last weekend's assassination of a senior magistrate involved in mafia investigations further undermining confidence in the currency.

● Economic uncertainty is increasing. The government's budget deficit for this year was originally set at L128,000bn, but is now likely to overshoot by L47,000bn unless an emergency budget is approved by parliament. Industrial production is declining, falling in May by 5.6 per cent year-on year.

'The Italians are reaching the limits of what they can do with economic policy'

● Italy's policy of raising its discount rate to strengthen the lira has failed to impress markets. "Every one percentage point rise adds 13 trillion (million million) lire to the deficit," says Mr MacKinnon. "A vicious circle has therefore set in: the lira falls, the Italians raise rates, the budget deficit increases and the lira falls again as the markets lose confidence in the economy."

● The currency is undermined by uncertainty over European Monetary Union (Emu). The lira had benefitted from the conviction that Italy would be forced to reduce its budget deficit to meet the Maastricht Treaty convergence criteria. Since then the Danish "no" vote to Maastricht and the French referendum on the treaty in September have unnerved the markets.

"Currencies like the lira are open to speculation all the more, because the market is willing to test the strength of the European monetary structure," says Mr Gerard Lyons, chief economist at DKB International in London.

However, some analysts believe the Italian government need not act immediately. Mr David Cocker, economic analyst at Chemical Bank in London, says Italy retains large foreign currency reserves with which to fund market intervention, estimated at about L38,000bn. There would also be little point in devaluing before the French referendum: "If the French vote against monetary union, it will be politically easier for the Italians to devalue afterwards," he says.

Rome has also given priority to implementing a radical economic reform package. This aims to cut L30bn off the deficit this year by a programme of privatisation. Analysts say the government would be "devaluing in a vacuum" if it altered the exchange rate before the package has been ratified by parliament in September.

But doubts remain over whether this package can be implemented by a government with such a thin majority, while the lira is already overvalued against the D-Mark by 25 per cent on a purchasing parity basis. "Something in the economy has to give if you stick to an unrealistic exchange rate," says Mr Gerard Lyons of DKB. "The Italians are reaching the limits over what they can do with economic policy."

Analysts say EMS countries will probably allow a member to lower rates if it has already done everything in its power to strengthen the currency. "There is a Europe-wide acceptance that Italy has specific problems, and that it is doing all it can domestically to deal with them," says Mr Lyons.

NEWS IN BRIEF

Officials quit as anti-mafia anger grows

Angry anti-mafia protesters yesterday broke through police cordons outside Palermo cathedral at the funeral of five bodyguards blown up with leading anti-mafia judge Mr Paolo Borsellino on Sunday, Reuter reports from Palermo.

Anger against the political class which failed to protect Mr Borsellino after the Mafia murdered his colleague, judge Giovanni Falcone last May, has been rising since Sunday's bombing, particularly among police bodyguards in Palermo.

The mayor of Palermo, Mr Aldo Rizzo, resigned hours before the ceremony and seven of the Sicilian capital's 16 deputy prosecutors have also stepped down in protest at the authorities' latest failure in the battle against the Mafia.

Czechs would assume debts

A Czech republican government would be willing to assume responsibility for the entire $9.3bn (£4.86bn) foreign debt of the present Czech and Slovak federal republic if the "velvet divorce" of the republics goes through at the end of September as proposed, according to Mr Vladimir Dlouhy, the Czech trade and industry minister, writes David Dodwell.

Mr Dlouhy was in London to calm western fears over the Czech government's determination to stand by its economic reform programme, said the break-up of the federal state would involve difficult negotiations.

Rouble falls against dollar

The rouble fell sharply against the dollar yesterday on the Moscow Interbank Currency Exchange with the change in the chairmanship of the Russian central bank being blamed by the Itar-Tass news agency, Reuter reports from Moscow.

The currency fell to 151.1 to the dollar from 135.4 roubles the previous week, Tass said.

Ex-king may be tempted back

Michael of Hohenzollern, the former king of Romania, has said he will consider initiatives aimed at bringing him back to the country as sovereign, writes Virginia Marsh from Bucharest.

The ex-king's statement appears to rule out the possibility he will run for president in elections due September 27 and comes as a blow to the National Liberal party (NLP), one of the country's main political parties, which last weekend nominated "Citizen Michael Hohenzollern" as its presidential candidate.

Jobs hang on claim of CFC-free refrigerator

By Leslie Colitt in Berlin

HUNDREDS of jobs in one of east Germany's most blighted regions are hanging on a company's claim to have developed an environmentally safe refrigerator.

DKK Scharfenstein, east Germany's sole producer of refrigerators, claims its "eco-refrigerator" is a technological breakthrough because its compressor operates with a propane-butane mix instead of the standard chlorofluorocarbons, which damage the ozone layer.

However, the company has already been accused of adopting desperate measures with its claimed breakthrough because it faces imminent demise. It lost DM85m ($55.9m) last year on turnover of DM71m and the Treuhand privatisation agency has appointed a liquidator.

Once flourishing sales of refrigerators in west Germany plummeted after monetary union in 1990 and the collapse of the Soviet market for compressors.

Mr Franz Wauschkuhn, Treuhand spokesman, said the Treuhand was paying a subsidy of DM50 for each of the 200,000 refrigerators DKK produces annually. DKK would have to cut its 1,900 workforce down to 600 to become profitable, he said.

The west German Electrotechnical Federation (ZVEI) called the new refrigerator a "hoax", arguing that the propane-butane mixture was not only inefficient but liable to explode, raising awkward questions of product liability. It also claimed that the refrigerator used 40 per cent more electricity than conventional models. DKK says the gap is only 20 per cent and narrowing.

However, Mr Wolfgang Lohbeck, of the Greenpeace environmental organisation, accused an "unholy alliance" of the west German electrotechnical and chemical industries of rejecting an ecologically sound product in order to protect profits.

The Treuhand, caught in the middle, said the liquidator had commissioned an expert opinion on the new refrigerator which, if positive, could mean hundreds of saved DKK jobs.

Letter underlines doubts over usefulness of Carrington's peace efforts

Boutros Ghali attacks EC plan

By Robert Mauthner, Diplomatic Editor

A SHARP exchange between Mr Boutros Boutros Ghali, the United Nations secretary-general, and Lord Carrington, the European Community's mediator on Yugoslavia, has underlined the growing doubts about the usefulness of the EC's peace efforts.

The disagreement is likely to fuel the arguments of those, such as France, who want the EC peace conference to be expanded into a wider international forum under the umbrella of the UN.

Following the abortive ceasefire agreement reached by the three warring factions in Bosnia under Lord Carrington's presidency in London last Friday, Mr Boutros Ghali has criticised both the EC for failing to consult him and the UN Security Council for endorsing the EC's ceasefire plan.

In a letter addressed to Security Council members on Monday, the UN secretary-general also expressed "serious misgivings" on the substance of the plan, the most important element of which was its provision for placing the heavy weapons of the combatants under UN supervision.

Mr Boutros Ghali's main complaint was that the UN was given too little time to implement the plan.

He said no UN representative had participated in the London talks and he was not aware of the EC seeking any technical advice from the UN before the agreement was concluded. Moreover, Mr Boutros Ghali said he had told Lord Carrington by telephone last Friday that the EC proposal on UN peacekeeping duties was "not realistic".

"I now find myself in the invidious position of having to advise the Council on the implementation of a mandate behind which the Council has already thrown its political support," Mr Boutros Ghali said.

Though the Security Council endorsed the London agreement last Friday, the plan drawn up by UN officials has not yet been approved by the secretary-general.

The UN secretary-general's criticisms appear to have taken Lord Carrington completely by surprise.

When he told Mr Boutros Ghali of the London peace deal, the UN chief said he was "absolutely delighted", Lord Carrington said in a radio interview yesterday.

Mr Boutros Ghali's outburst clearly reflects the frustration he feels at the inadequacy of the resources put at his disposal in Yugoslavia and his irritation with the lack of understanding by EC and Security Council leaders of the practical difficulties involved in putting their political decisions into effect.

As far as United Nations officials are concerned, such difficulties could be avoided if the whole peace negotiations were handled by the world organisation.

Lord Carrington yesterday said he was "discouraged" after Yugoslav and Serbian leaders rejected an international conference on Kosovo, the mostly ethnic Albanian province in southern Serbia, writes Laura Silber in Belgrade.

After talks in Belgrade, the Serbian and federal capital, with Mr Slobodan Milosevic, the president of Serbia, and Mr Dobrica Cosic, the president of Yugoslavia, Lord Carrington said he was "increasingly worried over these last few months about Kosovo".

He went on: "President Milosevic said he was very willing to negotiate with the Kosovans, although he did not think there was much to negotiate about because they have all their human rights under the Conference on Security and Co-operation in Europe [CSCE]. But he was not prepared for a conference in which the EC peacekeeping conference was involved on the grounds that it was purely a Serbian matter which affected their sovereignty."

However, Lord Carrington was encouraged that leaders from Krajina, self-proclaimed Serb regions of Croatia which are now UN peacekeeping zones, had agreed to negotiations on their status without making independence a condition.

German embargo role put in doubt

By Christopher Parkes

GERMANY'S continued participation in the allied monitoring of the United Nations embargo on Serbia and Montenegro was thrown into doubt last night by a challenge from the Social Democrat (SPD) opposition.

A meeting of the SPD Bundestag members was expected to vote for the issue to be put to the federal constitutional court, according to Mr Hans-Ulrich Klose, parliamentary party chairman.

He appeared confident of a "yes" vote after the parliamentary party leadership had recommended action yesterday evening. However, rank and file members, last night were understood to be divided on the best course of action.

Before yesterday's round of talks, which will be followed by an emergency Bundestag sitting today, some members wanted a ruling from the court which would force the government to withdraw the destroyer Bayern and three surveillance aircraft ordered to join the allied monitoring force last week.

Some, including Mr Klose, claimed the aim was simply to clarify a "grey area" in the constitution, while others supported the government line that Germany should be prepared to play its full role in international affairs.

At issue is a vague clause in the constitution which has in the past been generally accepted as confining German armed forces to within the Nato area. It has not yet been tested in court.

The SPD, outraged that the government ordered forces to join the UN and Western European Union monitoring exercise without consulting parliament, appeared to be in danger of damaging its already fragile consensus.

Mr Hermann Heinemann, an SPD minister in the North Rhine Westphalia state government, denounced the attempt to have the court rule as "decidedly wrong". Germany could not stand aside from measures aimed at securing peace.

Sanctions force Belgrade to tighten its belt

By Laura Silber in Belgrade

"PEOPLE complain about the prices of green peppers. But after paying for fertilisers and fuel, I have no choice – we earn a pittance," says Mrs Dusanka Mladenovic, a peasant selling vegetables at Kalenic Pijaca, one of Belgrade's green markets.

The effects of United Nations sanctions, including an oil embargo, imposed on Yugoslavia for its backing of Serb fighters in Bosnia, are hitting the inhabitants of the Serbian capital.

Mrs Mladenovic says she has barely enough petrol to travel from her nearby village to Belgrade. Yugoslavia, comprising Serbia and Montenegro, introduced a monthly ration in June of 20 litres for private car owners. Even that is likely to be cut next month to 15 litres, according to Serbian newspapers.

Queues of cars snake around the handful of petrol stations still open in Belgrade. Crowds of people wait for hours to pack into buses after city authorities halved the number running each day and closed many routes.

Mr Ivan Obradovic, a Belgrade university professor, had difficulty even getting hold of his ration coupons.

Five municipal offices told him they had run out. Mr Obradovic dismissed as "useless" an offer of diesel coupons. One clerk recommended he buy them on the black market.

The flourishing black market sells hard currency and petrol coupons but the price of DM1 for a 10 litre coupon is steep for people whose average monthly wage has plummeted to DM65.

"It is catastrophic," says Mr Obradovic. "The government has shown it is incapable of effectively rationing petrol. If this is any sign of how – if necessary – they will ration flour and cooking oil, then we will starve."

Tired of war and uncertainty, people appear to blame Yugoslav and foreign politicians for their economic woes. An attendant at one Belgrade filling station told foreign journalists in search of petrol to ask "Bush and Genscher". The former German foreign minister, Mr Hans-Dietrich Genscher has been much maligned by the Serbian media for his support of Croatian independence.

Other people pointed the finger at Serbia's President Slobodan Milosevic and Croatia's President Franjo Tudjman.

"If you listen to television the politicians are always right. But while they argue, people are dying in Bosnia. Milosevic and Tudjman should be blamed, not ordinary people," says Mrs Mladenovic, sitting on a wooden crate at the market.

Zeljko, a warehouse manager from Zemun, a city across the River Sava from Belgrade, says: "We are are all guilty for the situation – but it is mostly Serbia's ruling politicians. Meanwhile, I live from one day to the next trying to make ends meet.

"I cannot feed my family on a monthly wage of DM100, so I have to sell goods on the black market."

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. *Chairman:* D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Brittan presses Commission for backing on Nestlé bid

By Andrew Hill in Brussels

SIR Leon Brittan, EC competition commissioner, will today argue that dangerous loopholes could be created in EC competition policy unless the Commission backs him and approves Nestlé's bid for Perrier, the French mineral water group.

Approval of the Swiss food group's FFr15.46bn ($3.03bn) bid – and of the strict conditions proposed by Sir Leon – would extend Brussels' anti-trust role to allow the examination of situations in which two or more players dominate a market.

Sir Leon believes a restrictive interpretation of the 1990 EC merger rules would leave the Community market prey to such large-scale duopolies and oligopolies. Neither the Commission nor member states would have the power to restrict Community-scale mergers which created or strengthened such situations.

Some of Sir Leon's colleagues, as well as competition lawyers and the Commission's own legal service, are concerned because the merger rules do not give Brussels explicit power over oligopolies.

Commission competition officials argue that such cases are not excluded, and point out that the US, UK and France have all interpreted similar clauses in their merger control legislation to cover oligopolies.

The Commission is set to impose strict conditions on the deal, aimed at reducing the potential duopoly of the French market held by the enlarged group and by BSN, the French food company.

Nestlé/Perrier will have to sell eight mineral water brands to a third buyer. The named brands for sale will include Saint Yorre, a sparkling water, Thonon, a still mineral water, and the spring water Pierval. Volvic, one of the largest brands, will be sold to BSN, as originally planned, but neither that deal, nor completion of the merger with Perrier will be authorised until the Commission has approved the sale of the other brands.

There will also be an explicit ban on Nestlé re-acquiring the sold brands within 10 years, an obligation to inform the Commission of further purchases in the French bottled water market, and conditions aimed at preventing closer business co-operation between Nestlé and BSN.

● The EC Commission is likely to approve nearly $1bn of state aid planned for Iberia, the Spanish state airline, despite Sir Leon Brittan's objections.

Last week, Mr Karel Van Miert, the transport commissioner responsible for examining airline aid, recommended approval of a FFr1.25bn investment in Air France by BNP, the state-owned bank.

FT COMMENT TRAVELS THE WORLD

Spratly dispute occupies Asean

By Victor Mallet in Manila

CHINA'S recent reaffirmation of its claim to the disputed Spratly islands in the South China Sea overshadowed the start of a meeting of the Association of South-East Asian Nations (Asean) in Manila yesterday. Ministers expressed "grave concern" about the threat to regional security.

"We cannot any more postpone the urgent necessity to seriously seek a solution," President Fidel Ramos of the Philippines said in a speech to open the meeting of Asean foreign ministers, "lest the unsettled situation lead to perilous developments".

Mr Abdullah Badawi, the Malaysian minister, said his country viewed the matter with "grave concern".

The ministers of Asean – grouping Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand – raised the Spratlys issue at a meeting yesterday with Qian Qichen, their Chinese counterpart.

They also spoke of their worries about the progress of the United Nations peace plan in Cambodia, where the Chinese-backed Khmer Rouge faction is refusing to disarm its guerrillas.

Most Asean ministers emphasised security concerns and gave second place to economic co-operation.

The Spratlys, a scattered group of islets, atolls and coral reefs, have become a particularly sensitive issue since May, when China granted an oil exploration concession to Crestone Energy of the US in an area claimed by Vietnam.

Six countries have laid claim to all or some of the Spratlys (China, Taiwan, Vietnam, Malaysia, Brunei and the Philippines), but China passed a law in February reaffirming sovereignty over the islands of the South China Sea and reserving the right to use military force.

In his meeting with Asean yesterday, Qian reiterated China's view that territorial differences should be "shelved" in favour of joint development of the area, but he apparently did not explain how this fitted in with China's recent actions.

According to Filipino officials, he suggested a security dialogue with Asean to enhance trust and rejected accusations that China was seeking to fill a power vacuum left by the collapse of the Soviet Union and the closure of US bases in the Philippines.

"It is not necessary for any country to fill up this so-called vacuum," Qian said on Monday. He also told the Asean ministers that the dispute was being exaggerated, and that it would be better not to discuss it in public to avoid increasing tension. In 1988, China sank three Vietnamese naval vessels and killed 72 Vietnamese in a battle over the Spratlys.

Korean row over nuclear and aid issues

NORTH Korea yesterday criticised South Korea for linking economic aid to the resolution of a dispute over mutual nuclear inspections, writes John Burton in Seoul.

The criticism, made during a meeting on the nuclear issue, coincides with a visit this week by the North Korean deputy prime minister, Mr Kim Dal Hyun, to industrial facilities in the South. Seoul officials are hoping to use the visit of Mr Kim, North Korea's senior economic official, to persuade Pyongyang to accept spot inspections of suspected nuclear research facilities in return for investments by South Korean companies.

Hopes fade for early Hong Kong airport deal

By Simon Holberton in Hong Kong

HOPES for an early agreement on financial arrangements for Hong Kong's HK$175.3bn ($22.3bn) airport and related projects collapsed yesterday when China accused the Hong Kong government of "intimidation" and misleading the colony and the international community about the project.

Chen Zuo'er, deputy director of the Hong Kong and Macao Affairs office of the State Council, said Sir David Ford, the colony's chief secretary, and Mr K Y Yeung, its treasury secretary, had "wantonly" disclosed the content of recent Sino-British talks on the airport's financing.

His intervention follows comments made this week by Jiang Zemin, secretary general of the Chinese Communist Party, who reportedly accused Britain of complicating talks about airport finance.

Addressing a seminar last Friday, Sir David and Mr Yeung outlined China's concerns about some details of the financial package. These included the deferral of dividends by two public corporations responsible for the project and measures to provide them with more finance in the event of difficulties.

Britain and China have been in discussions for the past three months about the airport. Although they appear to be about finance, Hong Kong and British officials believe that China – which is concerned about political developments in the colony – is using the issue to exercise leverage over Mr Chris Patten, the colony's new governor.

It now seems likely that, in the absence of a Chinese back down, Beijing will withhold its approval for the finance until the autumn when Mr Patten is due to open the local legislature and outline his plans for the government.

If the project is delayed this long it is unlikely that Britain will be able to complete the airport before June 1997, as agreed between the prime ministers of Britain and China last September.

Earlier yesterday, before news of Chen's statement reached Hong Kong, Mr Patten defended Sir David's speech. He pointed out that it said no more than had already appeared in the pro-Beijing press in Hong Kong.

But the governor was emphatic that a new airport in Hong Kong would be built. "The airport is in the interest of Hong Kong, is in the interest of southern China, is in the interest of the region, and it will be built," he said.

The airport and nine other related projects were proposed by the Hong Kong government partly as a confidence boosting measure in the aftermath of the June 1989 Tiananmen massacre. Their economic need, however, has never been in doubt.

The Chinese intervention comes five days before Mr Douglas Hurd, the UK foreign secretary, is due to visit Hong Kong for talks with Mr Patten.

Mr Hurd is expected to meet a range of interest groups in the colony. China's latest outburst is likely to concern local conservatives who may be moved to pressure Mr Hurd to seek a compromise with Beijing.

Reluctant departures: A Vietnamese mother and her children are supervised as they board an aircraft under Hong Kong's voluntary repatriation programme for Vietnamese boat people

China refuses to make soft landing

The joint memorandum of understanding has lost something, writes Simon Holberton

ON JULY 4 last year, after "friendly discussions" between British and Chinese officials, a memorandum of understanding giving the go-ahead for Hong Kong's multi-billion dollar airport and related projects was initialled.

What exists now is a memorandum but no understanding. If the complaints about the project levelled by Chen Zou'er – Beijing's number two official on Hong Kong matters – represent China's true concerns then there is an awful lot more talking to do before agreement is reached.

Such a prospect can only mean more delays to a project already planned on extremely tight time scales and, in all probability, a project that will not be finished when the Union flag is lowered for the last time on June 30, 1997.

The two main components of Asia's biggest infrastructure project are the airport itself and a new railway line. Kai Tek, the colony's current international airport, will reach capacity limits in 1994 or 1995 and the new airport, sited at Chek Lap Kok, north of Lantau island, will provide for expansion through to 2040.

The railway will offer a high-speed service from the airport to the urban areas of Hong Kong and will help relieve congestion on the busiest part of its existing network.

AIRPORT PROJECT ESTIMATES (HK$m)

Project	*Estimates July 91	*Estimates March 92	†Estimates July 92
Chek Lap Kok Airport	43,600	46,300	68,500
North Lantau Expressway	4,300	5,790	8,102
Tung Chung Phase I	2,600	2,210	3,027
Lantau Fixed Crossing	12,100	11,960	17,155
Route 3 (part)	5,600	6,050	8,918
West Kowloon Reclamation	9,000	10,010	12,587
West Kowloon Expressway	1,700	2,230	3,383
Western Harbour Crossing	3,900	4,150	6,500
Airport Railway	12,500	22,160	33,500
Central and Wan Chai Reclamation	1,800	1,900	2,827
Less:§		(2,900)	(4,029)
Total	98,600	112,220	163,730
Plus interest and financing charges			11,600
Grand Total			175,330

* At March 1991 prices
§ Airport railway works to be undertaken as part of the Lantau Fixed Crossing, Tung Chung Development, North Lantau Expressway, Route 3 and "Utilities" projects
† Taking account of estimated inflation up to 1997

The latter would have been needed before long and, for just 20 per cent more, the Mass Transit Railway Corp (MTRC) will be able to build the airport line.

The need for the project is agreed by both sides but, bluster aside, China appears to have serious reservations. These are not only about the total financing bill, but also about the financial viability of the planned railway and various financial incentives the Hong Kong government plans to offer the key corporations building the project.

Certainly the cost of the airport has risen. In less than a year it rose nearly 14 per cent in real terms to HK$112.2bn from HK$98.6bn. In terms of "money of the day" estimates – which take account of the effects of projected inflation – the airport and related projects may cost HK$163.7bn and, if interest and finance charges are included, threatens to reach HK$175.3bn in current terms by the time it is completed.

In addition, the government is prepared to stump up HK$20.3bn in "callable equity" – HK$7.8bn for the Airport Authority and HK$12.5bn for the MTRC in the event of project delay or poor economic circumstances.

But the Chinese regard it as a contingent liability on the future government of Hong Kong.

The Chinese government is also prepared to forgo HK$2.8bn (in March 1991 prices) of dividends the MTRC would have paid it over the period 1997-2001.

The future government will also lose revenue from the airport in the form of a departure tax and aviation fees which the present government gets.

The Chinese fear the future government's financial position might be weakened by this loss of revenue.

Hong Kong officials say these concerns are either soluble or unfounded.

The airport will be self-financing by day one; the MTRC has already convinced bankers to back the project. However, they say, every time they raise specifics the Chinese fall back on generalities.

Nearly three weeks ago, China made an offer to the UK. It could go ahead and award a HK$8bn-HK$10bn contract for the preparation of the airport site, while keeping open talks on all other matters.

Last Thursday the UK made a counter offer. Approve the financing for the airport and leave to later discussion China's concerns about the railway. "Provided we can do a deal on the whole airport package the issue of callable equity is something we can deal with. But we are not prepared to put that offer on the table and have them come back with four or five other claims," said one senior official.

What lies behind the official's concern is that neither he, nor anyone in Hong Kong familiar with the discussions, *believes finance is the real* sticking point anyway and that Chinese concerns lie elsewhere.

They think China is withholding its consent because it is concerned that Mr Chris Patten, the colony's new governor, will include the liberal Mr Martin Lee's United Democrats, the stand-bearers of greater participatory democracy, in his cabinet. Democratic "contamination" from Hong Kong both before and after 1997 keeps Beijing's communist rulers awake at night.

So far Mr Patten has kept his counsel; he has taken the propaganda war to the Chinese, never failing to point out that the airport is in Hong Kong's *and* southern China's interest.

However, he is aware that he has things to do on the political front, including the reshaping of his cabinet.

The day he opens the next session of the legislature – October 7 – may prove critical for the airport as well.

Council members offer resignations to Patten

THE non-government members of Hong Kong's executive council, or cabinet, have offered their resignations to Mr Chris Patten, the colony's governor, writes Simon Holberton.

Mr Patten said yesterday that Baroness Dunn, the senior non-official member of the cabinet, had written to him on July 13 saying that she and other non-official members would be happy to put their offices at his disposal.

There are currently 10 unofficial and four official members of the executive council. The "unofficials" include Baroness Dunn, a leading conservative, Mr William Purves, chairman of HSBC Holdings, and Mr Andrew Wong, a university *professor and the only directly-*elected member of the cabinet.

Mr Patten said he had taken no decision on the offer, other than to welcome the "generosity of spirit" in which it was made. But he is widely expected to reshape his cabinet *around the time that he opens* the autumn session of colony's legislature on October 7.

Since his arrival Mr Patten has stressed that his government will be "executive-led" and that he expects to take the initiative in winning support *for his policies among local* legislators.

The recovery will take longer than expected, writes Robert Thomson

Japan waits for economy's lucky number

THE numbers three, five and seven hold a spiritual significance for Japanese, who celebrate when their children reach these symbolic ages. But a saying now growing in popularity is that recovery will take three years for Japanese manufacturing, five years for the banks, and seven years for the property and securities industries.

Having confidently expected a recovery in the autumn, Japanese industry is readjusting its sights, and even the optimistic Bank of Japan yesterday conceded in a quarterly forecast that "inventory adjustment", its euphemism for economic downturn, will take longer than expected.

The realisation in recent days that recovery is still far in the distance has undermined confidence in Tokyo share prices, which fell 4 per cent on Monday and were weak again yesterday.

In part, the stock price weakness is a sign that Japanese companies, their sales slipping and profit forecasts due for downward revision, are confronted by difficult restructuring decisions that can no longer be postponed.

There is also a recognition that even if the ruling Liberal Democratic Party (LDP) wins finance ministry approval for a supplementary budget of between Y5,000bn ($40bn) and Y8,000bn, the country will not reach the official target of 3.5 per cent economic growth for the year to the end of March. Private forecasts vary greatly, but the 2-2.5 per cent range has become a popular target.

Economic management remains a minor issue in the campaign for an upper house election to be held next Sunday.

But politicians are under pressure from small business owners, who are feeling the financial pinch. A survey by the Small Business Credit Insurance Corporation, a government agency, found that the number of companies reporting difficulting in obtaining funds was 13.8 per cent higher than those not having problems.

INDUSTRIAL PRODUCTION*

January	-0.8
February	-1.0
March	-2.6
April	+0.1
May	-1.9

*% change month on month
Source: Ministry of International Trade and Industry.

Conceding that the next few years will not see a return to the easy money era of the late 1980s, several larger companies have announced reform plans.

Brother Industries, the office equipment and sewing machine maker, is cutting its product line by 30 per cent. Leading securities houses are reducing the annual staff intake, and steel makers are reviewing diversifications.

However, many hard decisions on cutting staff and reducing products have been delayed in the expectation of a relatively quick recovery. These decisions will not wait much longer.

Sanyo Electric has scaled down plans for semiconductors and Honda Motor may withdraw from Formula One racing.

The timing of the recovery is crucial for the property sector, which needs an upturn in the spring to help apartment builders weighed down by heavy inventories and to assist banks which have accepted a postponement in interest payments.

Last week EIE International, the troubled developer, said it wanted to renegotiate Y740bn in debt. And Watakyu Kensetsu, a Tokyo apartment builder, admitted to being on the verge of collapse, owing Y145bn – its failure would be the largest for the year.

The Japan Association of Corporate Executives called on the Bank of Japan to cut the official discount rate, lowered by 0.75 per cent to 3.75 per cent on April 1. The association said the need was underlined by the record low 0.9 per cent June growth of money supply.

The domestic downturn was also highlighted by a continuing expansion of Japan's trade surplus, with exports rising 10.5 per cent in June, a sign manufacturers are exporting excess production capacity.

Industrial production in May fell 1.9 per cent month-on-month, and 8.8 per cent year-on-year, and the capacity utilisation index fell back to 95.7, similar to the 1987 level. But Mr Masaru Yoshitomi, of the co-Economic Planning Agency, said these indicators are no cause for panic and, indeed, the economy is returning to something like the pre-"bubble" normal state of 1987.

"If you just look at the 3.5 per cent growth estimate, maybe you will get pessimistic. If you are prepared to accept 2.6 per cent growth, then maybe you would not be pessimistic," *Mr Yoshitomi said.*

Call for end to postal monopoly in Australia

By Kevin Brown in Sydney

AUSTRALIA'S government-run postal monopoly should be exposed to competition from private sector express freight carriers, the Industry Commission said yesterday.

The commission, which advises the federal Labor government, has been the driving force behind much of the liberalisation of the Australian economy which has taken place since 1983.

Its attack on the Australia Post monopoly will be welcomed by freight carriers such as TNT, which has extensive experience of express delivery.

However, the report is likely to provoke widespread opposition from trade unions and consumer groups.

Mr Neil O'Keefe, who is chairman of Labor's parliamentary communications committee, said it should be dismissed "out of hand".

The commission said that the Australia Post monopoly on letters weighing less than 500g should be replaced by a maximum price set by the federal government.

This would allow the country's private sector to enter the market, while maintaining a reasonably priced service for customers in remote areas.

S African sit-in arrests

AT LEAST 250 people were arrested yesterday during sit-ins around Johannesburg as the African National Congress kept up a mass action campaign against the government, Reuter reports from Johannesburg. About 200 demonstrators were *detained at Johannes*burg's Hillbrow Hospital and more than 50 for occupying a police station and a court.

The latest arrests came as the UN special envoy, Mr Cyrus Vance, arrived in Johannesburg at the start of a mission to help restart the deadlocked democracy talks.

APOLOGY : GRESHAM TRUST p.l.c.

Investors Chronicle wishes to apologise for the embarrassment and damage caused to Gresham Trust p.l.c. as a result of an article appearing in last week's edition of Investors Chronicle.

In that article, Gresham Trust was referred to, in error, as a company with a negative net asset value per share. Investors Chronicle wishes to confirm that this was a case of mistaken identity. In fact, Gresham Trust's results for the 1991 year-end show that consolidated net tangible assets stood at more than £50 million and that, for the year ended on that date, combined consolidated revenue and capital profits before tax amounted to approximately £7 million. Investors Chronicle deeply regrets the embarrassment caused by this error and is happy to set the record straight.

OECD jobless total heads for 10-year high

By David Goodhart, Labour Editor

UNEMPLOYMENT in the industrialised countries is expected to rise to 30m in 1992, its highest level since 1983, and will not start falling significantly until well into 1993, the Organisation for Economic Co-operation and Development said yesterday.

The rise in OECD unemployment from 6 per cent to 7.5 per cent since 1990 has been less severe than following the second oil-price shock in 1979 – except in Australia, Finland and Sweden – "but still represents a disappointing reversal following several years of falling unemployment", said the organisation.

Unemployment is expected to remain at 9.4 per cent in the EC until 1993; in the US it is expected to rise to 7.1 per cent this year before falling to 6.5 per cent next year. The OECD, in its annual Employment Outlook, reiterated that OECD labour ministers should not be tempted to reverse recent moves away from passive support for the unemployed to active measures that improve the self-sufficiency of individuals and the functioning of labour markets.

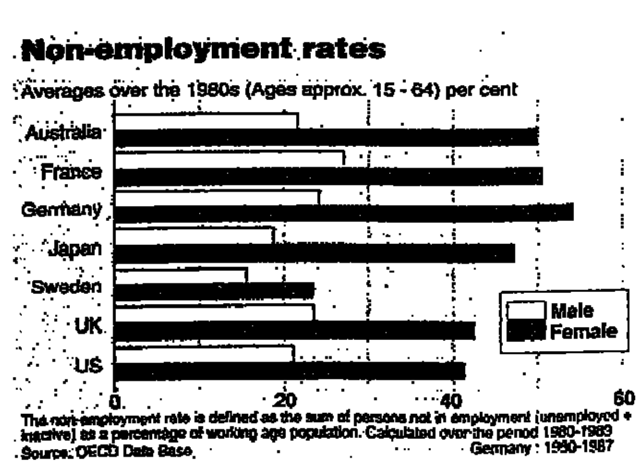
Wage growth slowed the most in North America, Scandinavia and Australia where some of the fastest rises in unemployment have been occurring. Labour productivity growth in the OECD held up in 1991 despite the fall in economic activity. In the UK the rise in unit labour costs is expected to fall to 3.5 per cent this year and 2 per cent next year. However, the OECD finds little evidence of greater wage flexibility as a result of the European Monetary System.

The OECD highlights several peculiarities of the recession, including a large rise in white-collar unemployment and, consequently, the narrowing of regional unemployment differences (except in Canada and France). The OECD also points out that a high proportion of new jobs have been in non-standard employment – mainly part-time – which are less advantageous than permanent, full-time, jobs.

Other points highlighted in the report include:

Non-employment rates

Averages over the 1980s (Ages approx. 15 - 64) per cent



The non-employment rate is defined as the sum of persons not in employment (unemployed + inactive) as a percentage of working age population. Calculated over the period 1980-1989
Source: OECD Data Base.
Germany: 1980-1987

● Continuing high "non-employment" rates, averaging almost 50 per cent for women and 25 per cent for men over the 1980s. Reductions in unemployment have often occurred at the cost of higher inactivity – or vice versa. Over the 1980s relatively few countries lowered both labour force inactivity and unemployment. Female labour force participation rates rose during the 1980s, but in most countries less rapidly than in the previous decade.

● A sharp decline in the labour force participation rate of the over 55s, representing an increasing waste in labour potential. Twenty years ago, in most OECD countries between 35 and 50 per cent of men over 55 were in the labour force, now the figure is between 20 and 35 per cent. Japan remains exceptionally high at 60 per cent and Italy at the other extreme on 11 per cent. The OECD is critical of this development and says pension and social security arrangements should be reviewed to give older people greater flexibility.

● After a long-term decline, self-employment has grown to one in eight of the non-agricultural workforce, reflecting not only the development of entrepreneurship but also structural changes in labour markets.

● Commenting on the rise of unemployment in Central and eastern Europe to 4m earlier this year, the OECD says a further wave of job-shedding is to be expected.

This may weaken the social consensus for market-based reforms although unemployment social insurance schemes now exist in all countries. The implementation of active labour market policies has been limited by budgetary restraints and should be further decentralised.

Swiss entry threatens IMF balance

By George Graham in Washington and Ian Rodger in Zurich

THE delicate balance in the International Monetary Fund between developing countries and the industrialised world is being shaken by a dispute over Switzerland's entry into the Washington-based organisation.

Switzerland has for decades refused to join the IMF or the World Bank because of its strict policy of neutrality, but in May the Swiss government won a national plebiscite in favour of IMF membership.

Developing countries complain, however, that Switzerland is now reneging on a pledge made last year by Mr Otto Stich, its finance minister, not to claim a seat on the IMF's board to the detriment of developing countries. Diplomats in Washington say Switzerland's aggressive drive to obtain a seat could displace from the board the representative of a group of mostly French-speaking African nations.

Swiss Finance Ministry officials deny they are reneging on their pledge, but say the IMF must deal with the inevitable shake-up resulting from the entry of a country with its financial weight, as well as the republics of the former Soviet Union.

IMF members with the largest quotas – the US, UK, Germany, France, Japan and Saudi Arabia – hold permanent board seats in their own rights. Other countries must form constituencies to elect the remaining 16 executive directors, with votes apportioned according to each country's IMF quota.

If Switzerland forms a constituency it would have enough votes to squeeze out a constituency currently composed of 24 African and Indian Ocean countries, most of them Francophone. Switzerland's quota alone, about 2 per cent of the IMF total, would be more than the 1.99 per cent mustered by the Francophone countries.

This would upset the board's balance by adding, in the view of developing countries, another voice for the economic policies espoused by the Organisation for Economic Co-operation and Development, the Paris-based grouping of 24 industrialised nations, including Switzerland.

Swiss finance ministry officials confirm they have had contacts with other countries, including Turkey, Poland and several former Soviet republics, about forming a constituency. They are optimistic one will be set up by the end of the month.

The officials acknowledge they promised not to eject a less developed country from the board; indeed, they say it would be impossible as there is a convention requiring African groups to control at least two IMF seats.

But they also made clear their belief that a country the size of Switzerland should be represented. "We have written to the rules committee saying we want a seat, but as newcomers we do not feel we should propose solutions. It is up to them," an official said.

One proposed solution would be to add another seat to the executive board, which is already due to grow to 23 with the addition of a Russian director.

While OECD countries generally feel Russia would side with other borrowing nations, some developing countries believe it will attempt to behave like a superpower.

But several leading countries – including the US, Japan and Canada – have indicated they would oppose creation of yet another seat for Europe, which already has three permanent and four elected executive directors.

Between them they have enough votes to block the creation of a new seat.

'Evidence' against Collor hits markets

NEW allegations of corruption in Brazilian President Fernando Collor de Mello's government set off another sharp drop in the country's stock market yesterday, agencies report from São Paulo.

The São Paulo stock market dropped 5.6 per cent during morning trading as the controversy undermined confidence in the president's two-year-old government.

New evidence has linked Mr Collor to a confidant who is under congressional investigation for alleged corruption.

Lawmakers received documents from the central bank late on Monday which allegedly indicated Mr Paulo Cesar Farias, Mr Collor's 1989 campaign treasurer, has been paying millions of dollars in personal expenses for the president.

Mr Farias is suspected of taking millions of dollars from companies who later received government contracts.

The documents showed that cheques from EPC, a consulting company owned by Mr Farias, had been found in an account belonging to Ms Ana Acioli, Mr Collor's personal secretary who handles the president's expenses.

At least six "ghost" depositors – people using false names and taxpayer identification numbers – also funnelled money into Ms Acioli's account. The "ghosts" are believed to be fronts for Mr Farias, congressional leaders say.

The president has said he never took any money from Mr Farias, and that the two broke off contact in 1990.

The new evidence has strengthened the hand of Mr Collor's opponents, who are pushing for impeachment.

Meanwhile, Mr Collor faces a growing revolt within his administration.

Vice-President Itamar Franco, who would take office if Mr Collor was forced out, is no longer on speaking terms with the president.

Peru rebel group calls strike

PERU'S worst wave of terrorist bombings in 12 years is likely to ensure widespread support for an "armed strike" called for today by the Sendero Luminoso guerrilla group, writes Sally Bowen in Lima. Messages painted on shanty-town walls are warning inhabitants of Lima and key provincial cities they risk death if they attempt to turn up for work.

In the past few days Sendero has intensified its campaign of terror in the capital. On Monday night a car bomb wrecked Lima's Institute for Liberty and Democracy, killing at least four passers-by and a security guard.

Last Thursday night a 600kg car-bomb devastated part of Miraflores, an affluent suburb in Lima. Seventeen people died and more than 100 suffered severe injuries. Hundreds of homes were evacuated, and 80 shops and a dozen hotels were badly damaged.

US rate cuts have laid 'foundation for sustained economic expansion'

Alan Greenspan: endured strong criticism from senators

Greenspan takes up cudgels for the Fed

George Graham on a defence of monetary policy

MR Alan Greenspan, chairman of the Federal Reserve Board, took to the barricades yesterday to defend his monetary policy against several US senators who say interest rates were cut too late.

He told the Senate banking committee that the Fed's recent reductions in interest rates "should help to shore up the economy and, coming in the context of a solid trend toward lower inflation, have contributed to laying a foundation for a sustained expansion of the US economy."

Structural problems in the economy have been "more severe and more enduring than many had previously thought," he said. Nevertheless, the Fed's monetary policy had succeeded in "fending off the classic 'bust' phase that seemed invariably to follow speculate booms in pre-second world war economic history.

"More rapid or more forceful easing actions more than likely would have been interpreted by market participants as risking a resurgence of inflation. That would have led to higher, rather than lower, long-term interest rates."

Mr Greenspan had to endure strong criticism from Senator Donald Riegle, the banking committee's Democratic chairman, who attacked the Fed's inability to meet its monetary growth targets. "I think the time has come for the Fed to admit that monetary policy alone is not sufficient to deal with our economic problems," Senator Riegle said.

But Republican senators, as well as some Democrats, argued the Fed had cut interest rates as low as it could, and that what was needed was a serious effort to cut the federal budget deficit.

Senator Jake Garn of Utah, the banking committee's senior Republican, said: "While you might have done some of the things you did in terms of interest rates sooner, you can't hardly come down any lower with the discount rate."

Mr Greenspan said structural improvements in the US economy – the rebuilding of banks' capital, the strengthening of household finances, the restructuring of business balance sheets – would be helped if the federal government made significant progress towards bringing its budget into balance.

This would, he said, release savings for productive private investment and brighten further the prospects for continued improvement in living standards.

Mr Greenspan said a large majority of his fellow board members expected economic expansion to strengthen moderately, from a range of 2¼-2¾ per cent this year to a range of 2¾-3 per cent in 1993.

This should help bring the unemployment rate down to between 7¼ and 7½ per cent in the fourth quarter of this year, and 6½ and 7 per cent at the end of 1993.

He warned that the necessary structural adjustments after the overbuilding, overbuying and overleveraging of the 1980s would continue to hamper economic growth, although the situation had improved.

"Last year I characterised this process as the economy struggling against a 50 mile an hour headwind. Today its speed is decidedly less, but still appreciable," he said.

Mr Greenspan said the Fed was making progress in understanding changes in financial behaviour that have contributed to the slow growth of the M2 and M3 broad monetary aggregates.

He said households had been restructuring balance sheets, channelling cash flow away from monetary deposits and into other assets, or paying off debts.

This process, although it had powerfully depressed the growth of the money supply, had exerted a less powerful constraint on spending. Instead, the velocity of circulation of the monetary aggregates, especially M2, had increased.

If this continued, Mr Greenspan said, the Fed would have to reassess its target ranges for monetary growth. In the meantime the Fed had decided to maintain its current ranges of 2½-6½ per cent for M2, 1-5 per cent for M3 and 4½-8½ per cent for debt.

Aids symptoms seen in patients without HIV

By Clive Cookson in Amsterdam

A US scientist appealed yesterday to Aids doctors around the world to look out for people with the symptoms of Aids but no sign of HIV, the virus that normally causes the disease.

Dr James Curran, director of the US Centres for Disease Control (CDC) in Atlanta, requested the details at the world Aids conference in Amsterdam so that scientists can determine whether a new virus is causing an Aids-like disease.

About two dozen cases have emerged of people with the symptoms of Aids but no sign of the virus. If it is a different virus, or a mutation of HIV that existing techniques cannot detect, then new tests might be needed to protect the public blood supply from contamination.

However, Dr James Allen, Aids programme director of the US National Institutes of Health, told a press conference after the session: "What we have heard does not in any way threaten the safety of the blood supply in the US or in west European countries, that have systems to protect it from infectious agents."

Before the Amsterdam meeting started, Dr Curran knew of six people who had the severely depressed immune systems that characterise Aids but in whom scientists could find no trace of HIV, despite intensive testing with all known techniques.

At an emergency conference session other US Aids specialists described cases in which they could detect none of the known strains of HIV.

Dr David Ho, of the Aaron Diamond Foundation in New York, had 11 patients from New York and Los Angeles – mostly homosexual men – who had few immune cells and suffered from various secondary infections.

Dr Jeffrey Laurence of Cornell University gave details of five patients from New York, four of whom had none of the usual risk factors for HIV infection such as multiple sexual partners or intravenous drug use.

A few other doctors from the US and Europe said they had some patients who seemed to fit the same pattern.

The emergency session was arranged after the US magazine Newsweek published an article questioning whether a new Aids virus was emerging. Dr Curran was attacked by some Aids specialists at the meeting for not taking the initiative and releasing details of the six patients studied by the CDC.

But Dr Curran said the cases had not caused particular concern as they were not connected and did not suggest the early signs of a new epidemic, as the first reports of Aids in homosexual men had in 1981. He pointed out that the US had 250,000 cases of Aids in which HIV was present.

Twelve experimental vaccines designed to protect people from HIV infection are producing encouraging results in small numbers of healthy volunteers, the world conference on Aids heard yesterday, writes Clive Cookson.

The clinical trials show a wide range of different vaccines can raise some immunity to HIV, without side-effects. But none has yet been tested on large groups of high-risk people. Dr Daniel Hoth, director of the Aids division of the US National Institute of Allergy and Infectious Diseases, said it was time "to prepare the infrastructure" for trials involving groups of 2,000-5,000 people, in developing and developed countries.

These could start as soon as 1994/95.

Menem shies from re-election

By John Barham in Buenos Aires

PRESIDENT Carlos Menem of Argentina has begun distancing himself from a campaign to amend the constitution and win him the right to run for re-election, vowing instead to deepen his free-market reforms.

On Monday Mr Menem said in a speech that he wanted to "open this new stage [of government] with grandeur, without thinking of future ambitions, without hegemonic temptations, without delirious dreams of perpetuation."

The president, who earlier this month reached the mid-point of his six-year term in office, had hoped to remove a constitutional ban on successive presidential terms by calling a national plebiscite later this year.

However, the plan ran into strong opposition from the opposition Radical party, from members of his own Peronist party and from the business establishment.

With his speech Mr Menem has stated that he recognises a constitutional amendment is impossible to secure at the moment, and has promised to dedicate the second half of his term to broadening reforms.

Mr Menem's decision represents a victory for Mr Domingo Cavallo, the economy minister, and a defeat for some of the president's close allies and a faction of the Peronist party which had urged him to dilute his reforms to buy political backing for re-election.

The president's pledges coincide with growing public disenchantment with reform, as the economy slows and real incomes decline.

Falklands picks groups for Atlantic oil search

THE FALKLAND Islands government has chosen two companies for a multi-million pound seismic study of territorially disputed waters in the South Atlantic from October, confirming its decision to exclude Argentina from the initial search for oil, write Jimmy Burns in London and John Barham in Buenos Aires.

But in a move which could lessen potential conflict between London and Buenos Aires over the issue, Falkland Islands officials have agreed to allow results of the survey to be made available to oil companies operating in Argentina.

The UK Foreign Office is expected soon to give its formal seal of approval to the licensing arrangements between the islands' government and the two companies, Spectrum of the UK and Geco Prakla, a subsidiary of the New York-based energy services group Schlumberger. Revenue from the sale of results will be shared between the companies and the Falklands government.

COMPANY NOTICES

Repap Enterprises Inc.
US$200,000,000 Floating Rate Notes Due 1997
For the period 16th July 1992 to 16th October 1992, the Notes will carry an interest rate of 4.375% per annum. The amount payable per US$250,000 will be US$2,795.14 payable on 16th October 1992.
Agent Bank
Barclays Bank plc
Stock Exchange Services Department
168 Fenchurch Street
London EC3P 3HP

LEGAL NOTICES

Certificate of Registration of Order of Court and Minute on Reduction of Share Capital and Share Premium Account
Company No. 633000
Whereas THE PROPERTY TRUST PLC. having by Special Resolution reduced its capital and share premium account as confirmed by an Order of the High Court of Justice, Chancery Division, dated the 29th June 1992. Now therefore I hereby certify that the said Order and a Minute approved by the Court were registered pursuant to section 138 of the Companies Act 1985 on the 7th July 1992. Given at Companies House, Cardiff, the 14th July 1992. Signed: M B May (Mrs.)
For the Registrar of Companies

Notice of Appointment of Administrative Receivers
CLEAR VIEW (DONCASTER) LIMITED
Registered Number: 2210971. Trading Name: Clearview Video. Trade Classification: 46. Name and address of joint administrative receivers: David John Stokes and Michael Joseph Moore, Cork Gully, 1 East Parade, Sheffield S1 2ET. Office holder numbers: 2682 and 5562. Date of appointment: 14 July 1992. Name of appointor: Midland Bank plc. Signed D J Stokes. Date: 14 July 1992

PERSONAL

PUBLIC SPEAKING
Training and speechwriting by award winning speaker. First lesson free.
Tel: (0727) 861133.

LEGAL NOTICE

In The High Court of Justice No 004126 of 1992
Chancery Division Mr Justice Millett
IN THE MATTER OF
OCEAN WILSONS (HOLDINGS) PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 6th July 1992 confirming inter alia the reduction of the capital of the above-named Company from £8,000,000 to £60,032 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 10th July 1992.
Dated this 22nd day of July 1992
Nabarro Nathanson, 50 Stratton Street, London W1X 5FL. Telephone: 071-493 9933
Ref: 6A/AOC/PEG/0302/1
Solicitors for the Company

INSOLVENCY ACT 1986
NOTICE TO CREDITORS
ENGWAY PROPERTIES LIMITED
(In Members' Voluntary Liquidation)
NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before the 31st day of August 1992, to send their names and addresses, with particulars of their debts and claims to the undersigned Richard William James Long and Ipe Jacob of Robson Rhodes, Bryanston Court, Selden Hill, Hemel Hempstead, Herts, HP2 4TN, the Joint Liquidators of the company, and if so required by notice in writing from the Joint Liquidators either personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice and in default thereof they will be excluded from the benefit of any distribution made before such debts are proven.
Note: This notice is purely formal and all creditors have been or will be paid in full
Dated 10th day of July 1992
Richard William James Long and Ipe Jacob Joint Liquidators

HITCHCOCK & CO. (TIMBER MERCHANTS) LIMITED
(In administrative receivership)
NOTICE IS HEREBY GIVEN pursuant to Section 48(2) of the Insolvency Act 1986, that a Meeting of the Unsecured Creditors of the above-named company will be held at the offices at Robson Rhodes, 186 City Road, London EC1V 2NU on the 20th day of August 1992 at 11.30 am for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors committee to exercise the functions conferred on it by or under the Act.
Creditors are only entitled to vote if:
(a) they have delivered to us at the address shown above, no later than 12.00 hours on the business day before the meeting, written details of the debts they claim to be due, and the claim has been duly admitted under the provisions of the Insolvency Rules 1986 and
(b) there has been lodged with us any proxy which the creditor intends to use on his behalf.
Dated this 15th day of July 1992
V M Barstow and N H Cooper
Joint Administrative Receivers

Rule 3.2 NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
Registered Name: Kimpton Walker PLC
Registered Number: 1417733
Trade classification: Manufacture of sets and scenery
Names and Addresses of Joint Administrative Receivers:
Vivian Murray Barstow and Neil Hunter Cooper
Robson Rhodes Robson Rhodes
186 City Road 186 City Road
London EC1V 2NU London EC1V 2NU
Date of appointment: 14th July 1992
By whom appointed: Barclays Bank PLC
Date of Charge: 8th May 1981
Nature of Charge: Debenture
Date: 2nd July 1992

The Guide to U.K. Property

The Financial Times proposes to publish this Guide on 9th October 1992. For editorial synopsis and advertising details, please contact:

Peter Shield on:
071 873 3284

Or write to him at:
Financial Times.
One Southwark Bridge.
London. SE1 9HL.

On the 6th October the Financial Times proposes to publish a survey on

Cable & Satellite Broadcasting

With an ever increasing array of television channels on offer to viewers via satellite and urban cable networks this survey is both timely and relevant. It will be published in full circulation of the Financial Times with an estimated one million readers in 160 countries world-wide.
For details of advertising rates and an editorial synopsis, please telephone
Alicia Andrews
on 071 873 3565
or fax 071 873 3062

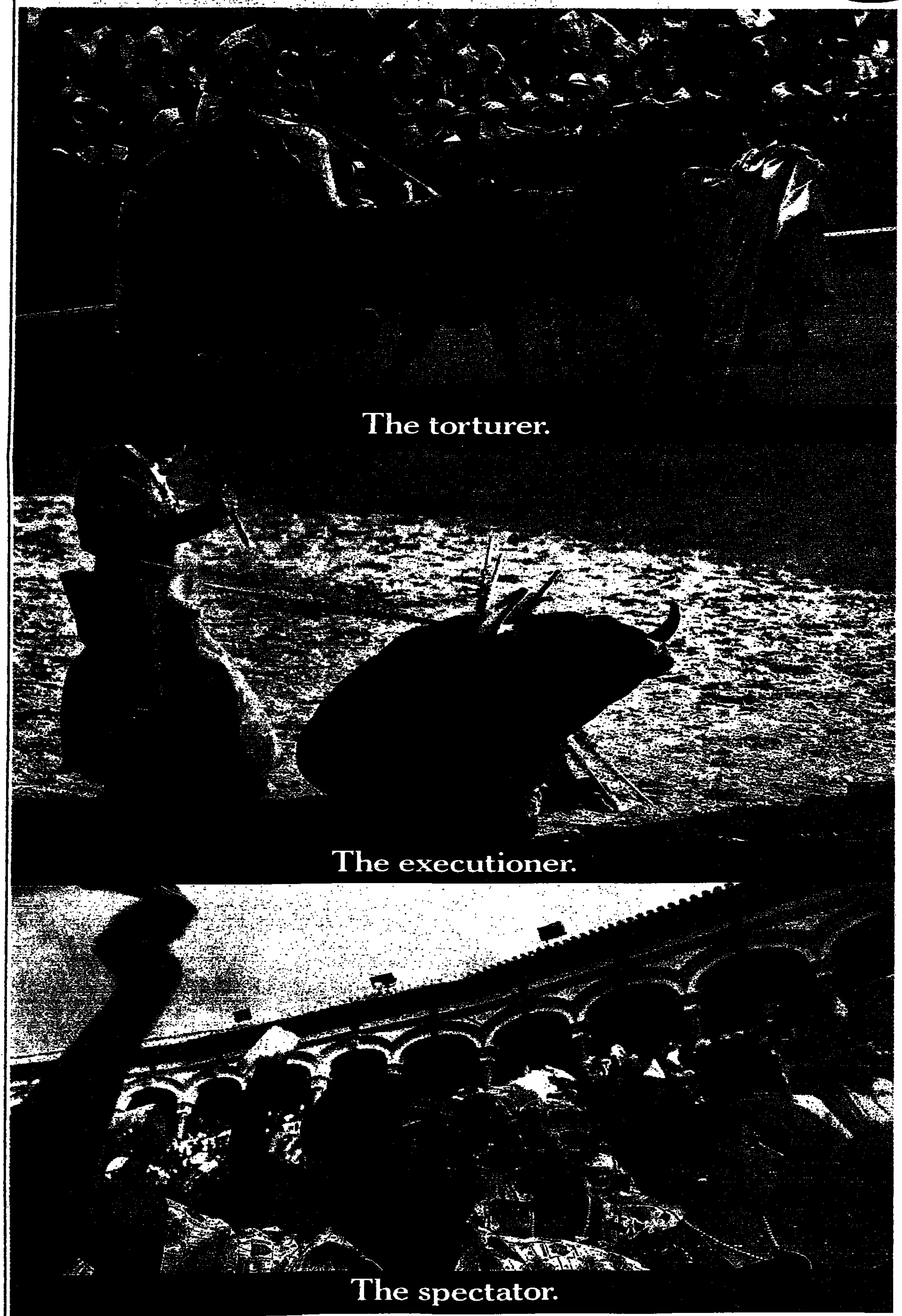
FT SURVEYS

STAY ONE STEP AHEAD FROM SYDNEY TO SEOUL.

You'll find the Financial Times on many leading airlines and at hotels and kiosks in business centres all around the world. So wherever your business takes you, our news and views can still be part of your business day.
Any problems call the FT Copyline on 49 69 15685150.

FINANCIAL TIMES

Who's the most sadistic at the bullfight?


The torturer.

The executioner.

The spectator.

The torturer (otherwise known as the picador) stabs the bull in the neck with a steel-tipped lance.

This is done to weaken the bull's neck muscles.

The executioner (or matador) has a long, curved sword.

It's his job to plunge the sword down between the bull's shoulder blades and into its heart, to kill it.

Usually, the sword misses the heart and so fails to kill the bull.

The animal eventually collapses and the matador severs its spinal cord with a dagger.

This results in paralysis, followed by death due to asphyxiation.

The whole spectacle lasts for about 20 minutes and is performed solely for the gratification of the spectator.

The one who pays to sit and watch.

The one, without whom, there'd be no picador and no matador.

Without whom, there'd be no bullfight.

RSPCA SCOTTISH SPCA ULSTER SPCA IFAW

If you're going to Spain, don't go to the bullfight.

THIS ADVERTISEMENT IS CO-FUNDED BY THE ROYAL SOCIETY, THE SCOTTISH SOCIETY AND THE ULSTER SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS AND THE INTERNATIONAL FUND FOR ANIMAL WELFARE.

'Dirty tricks' during election alleged

By Ivo Dawnay, Political Correspondent

THE government was thrown on to the defensive yesterday after allegations of "dirty tricks" during the general election forced the entire cabinet to deny their involvement to a inquiry by the Conservative Central Office, the party's head office.

The claim by Mr Kelvin MacKenzie, the editor of The Sun newspaper, that an unnamed "prominent cabinet minister" had offered him inaccurate information concerning Mr Paddy Ashdown, leader of the centrist Liberal Democrat party, prompted an immediate row at Westminster.

It came as Mr David Mellor, the embattled national heritage secretary, struggled to resume normal working at his department in spite of continued press investigations into his relationship with 31-year-old actress, Miss Antonia de Sancha.

After a day long investigation, including emergency talks between Sir Norman Fowler, the Conservative party chairman, and the prime minister yesterday afternoon, Central Office released a statement last night refuting The Sun's charges.

It said that both Mr Chris Patten, the Hong Kong governor then party chairman, and Lord Wakeham, who was also responsible for press liaison during the election, had "categorically" denied the claims as had every other cabinet minister. Mr Kenneth Baker, now retired from the cabinet, had associated himself with the statement and efforts were underway to contact previous ministers Mr Peter Brooke, Lord Waddington and Mr Tom King.

The denials are unlikely, however, to satisfy opposition parties who earlier yesterday demanded a full explanation from the government.

Mr John Smith, the newly elected leader of the opposition Labour party, called on Mr MacKenzie to reveal the name of the minister, saying that if the charge was true it was "quite disgraceful".

He added: "I don't know how a cabinet minister who did anything like that can possibly remain in his post."

The Liberal Democrats echoed his remarks, saying that the allegations were an "extremely serious matter".

A statement concluded: "It is now up to the Conservative party to clear this matter up and they should do so as soon as possible."

One senior cabinet minister privately agreed that The Sun editor's claims, made in a front page editorial yesterday, had come as a severe embarrassment to the government.

Admitting that a resignation would be inevitable if Mr MacKenzie's claim was substantiated, he added: "These are dangerous times."

Mr Mellor was battling yesterday to return to normality amid further press reports on his relationship with Miss de Sancha. For most of the day, his predicament was all but side-lined, however, by the storm of indignation over The Sun's claims.

In his editorial, Mr MacKenzie alleged that in the second week of the election campaign he received a telephone call from a cabinet minister offering the names and addresses of three women allegedly linked to the Liberal Democrat leader.

It went on: "It was no coincidence that the smear on Mr Ashdown was planted at a time when the Tories' election campaign was at a low ebb." Subsequent checks revealed the allegations to be untrue, the editorial said.

One Labour party official seized on the allegation as providing proof of many years of "collusion" between the Conservative party and the Fleet Street tabloids intended to denigrate and abuse their political opponents.

However, Lord Tebbit, a former Conservative chairman, said that it was more likely that a minister had merely discussed rumours with The Sun's editor.

Arguing that it was time for a "truce" between the government and the newspaper industry, he said he could not conceive of a way to draw up water-tight regulations to enforce privacy rights.

Holiday rescue fund proposed

By Christopher Price

THE government yesterday proposed a central rescue fund for the UK package tour industry, financed by a levy on unprotected passengers.

The government move is designed to satisfy a European Community directive, due to be implemented by the end of the year, which wants all types of package tour customers to be protected from fraudulent or bankrupt operators.

The fund, guaranteed by operators bonds up to an estimated £150m, would be used to repatriate customers stranded overseas by insolvent tour operators.

The levy – probably around 1 per cent of the package price, according to industry sources – would be raised from those package travellers not insured under existing industry arrangements, such as ferry and coach passengers.

At present, the UK travel industry offers protection only to companies which are part of industry trade associations, such as the Association of British Travel Agents, with members guaranteeing around 10 per cent of their turnover in the form of a bond.

Some 90 per cent of the 11m overseas package holidays sold annually in the UK are covered by this type of industry safety arrangements.

Yesterday's proposals would extend that coverage to all forms of organised package travel, expecting tour organisers to provide insurance for any type of trip that is deemed pre-arranged and pre-paid. These would include both domestic and foreign holidays, as well as some business trips and social club outings.

The idea of a new central fund and levy came from the five travel and holiday trade associations who dismissed the governments original proposals – which included standard insurance policies – as too expensive and likely to drive small operators out of business.

The central fund will, in effect, cost the companies very little since most banks run special insurance schemes on behalf of clients, as security on the monies.

Neglect leaves historic buildings at risk

In spite of £500,000 in grants, Brighton West Pier on the south coast (above) still needs £6m to repair damage from storms in 1987.

It is just one of many listed historic buildings and ancient monuments in England that are at risk because of lack of reliable information and slack financial monitoring, the National Audit Office says in a report published today.

The watchdog on government spending criticises the Environment Department, which spends £120m in grants; English Heritage; and other agencies for a backlog in repairs and conservation. It accepts there has been progress in the presentation of some of the UK's leading tourist attractions.

Pressure on home loan rates remains say lenders

By David Barchard, Emma Tucker and Ivo Dawney

BUILDING societies, the UK's home loan institutions, warned the government yesterday that they were still under pressure to put up their interest rates despite the Treasury's decision on Monday to cut interest paid on the National Savings First Option Bond.

The warning coincided with figures showing that they had a net outflow of £314m from their savings deposits in June, the worst monthly figure in nearly six years.

Fears of a further rise in mortgage interest rates subsided during the day as Cheltenham & Gloucester, the sixth largest society, announced that it would not now go ahead with a planned increase from 10.75 per cent to 10.99 per cent in its standard mortgage rate.

Yesterday saw little relief for sterling. The pound remained weak against the D-Mark. After falling early, it rose in late trading to close unchanged on the day at DM2.8425. As the threat of mortgage rate rises receded, shares ended mostly firmer in London. The FT-SE 100 index of leading shares closed up 11.9 at 2,415.6.

Against a background of growing worries about the economy and pressures on public finances, Mr John Major, the prime minister, will spell out the tight restraints on this year's public expenditure round at a special meeting of the Cabinet today. He is expected to reiterate his warning to colleagues that tax cuts at the end of the current parliament are entirely dependent on austerity measures now.

● Tenants of local authority housing will soon be able to convert rent payments into part ownership of their homes, according to a government consultation paper.

The rents-to-mortgages scheme, an election promise, is aimed at local authority tenants in England and Wales who cannot afford to exercise their full right to buy.

Strains in the housing market, Page 10

Britain in brief

Ulster police chief calls for special units

Sir Hugh Annesley, chief constable of the Royal Ulster Constabulary, last night called for the setting up of two new national police units to fight terrorism and major crime.

He said there was an urgent need for units with a remit outside the jurisdiction of local chief constables and police authorities.

The national anti-terrorist unit he proposed would provide a single police and intelligence focal point for liaison with the RUC, police in the Irish Republic and forces and intelligence services in Europe and North America. Such a unit would incorporate the security service, Metropolitan Police special branch and anti-terrorist unit and also include the work of military and customs personnel. He said a single national crime squad was also required.

Regeneration agency launched

The government's Urban Regeneration Agency, launched yesterday, will ensure that the programme for bringing 150,000 acres of derelict land back into use was more focused and more effective, said Mr Michael Howard, environment secretary.

He is preparing legislation on the new agency, expected to start in about a year's time. Its annual budget will be about £250m, but ministers emphasise they expect it to trigger up to five times that amount in private sector investment.

Virgin outlines train plans

Virgin Group, the airline company headed by Mr Richard Branson, has submitted detailed plans for running five trains a day each way between London and the north from next summer.

The company aims to take advantage of the privatisation of British Rail by setting up a network of inter-city services using trains leased from BR. It hopes to lease four InterCity 125 diesel trains from BR, refurbish them to airline standard and put them into service on London-Scotland routes.

Review urged of dam decision

Shareholders in the proposed £1bn electricity generating dam between Liverpool and the Wirral in north-west England are to press the government to change its decision not to back the plan for the barrage harnessing the Mersey's tides.

They said the government has misunderstood the project's finances and there would ultimately be no cost to public funds. If it went ahead, the barrage would raise about 30 per cent of its construction costs in one group of loans, based on electricity revenues of 3p a unit. Shareholders want the remaining £700m as another group of loans underwritten by the non-fossil-fuel levy – added to electricity bills to develop renewable energy.

Yorkshire pits threatened

The future of two Yorkshire coal mines employing a total of about 1,800 men is uncertain, British Coal said.

Kellingley, once known as "the big K", needs big cuts in b manpower if it is to survive and Sharlston, a smaller pit also in the Selby group of mines in North Yorkshire, was in a "very serious" situation.

Gas field given go-ahead

The government has given the go-ahead for development of the Hyde gas field in the North Sea 40 miles east of Humberside. The field, being developed by BP, the Norwegian state-owned oil company Statoil, and main contractors UIE Scotland and Kvaerner H&G, has proven reserves of 143bn cubic feet, and is due to start producing in October next year.

Tax rise on foreign companies 'would hurt US'

CONGRESSIONAL proposals to increase taxes on US subsidiaries of foreign companies would hurt the American economy and undermine US tax treaties, according to testimony yesterday before the House Ways and Means Committee, writes Nancy Dunne.

Mr Evan Galbraith, chairman of the Board of LVMH Moet Hennessy Louis Vuitton and former US ambassador to France, vigorously attacked a bill he said would discourage investment and cost US jobs.

"To impose capital gains tax on direct investment, impute taxable income where none exists, tax insurance coverage, circumvent our treaty obligations and discourage American penetration of overseas markets is intellectually and economically indefensible," he said. "This bill is simply another manifestation of protectionism."

To counter past charges that foreign-owned subsidiaries are avoiding US taxes, the Organisation for International Investment released a new study, conducted by KPMG Peat Marwick, an independent accounting company, which concludes that there is little difference between foreign and US firms.

Between 1983 and 1988 foreign-controlled companies paid an effective tax rate of about 2.1 per cent on average compared with an average rate of 2.2 per cent for major US subsidiaries, the study said. The difference is attributed to high start-up costs decade and a sharp depreciation of the dollar which raised the costs of doing business in the US.

In 1988, the latest year figures are available, US subsidiaries paid $5.8bn (£3bn) in federal income tax, up 58.6 per cent from 1983.

Non-US companies, already upset about hostile Congressional sentiment to foreign business, are alarmed about proposals by Governor Bill Clinton, the Democratic presidential candidate, to raise taxes on them.

US steel's dumping complaints sound familiar

But their outcome may not be a successful appeal for protection as in the past, writes Nancy Dunne

FOREIGN steel manufacturers could be excused a sense of *déjà vu* with the filing in the US last month of a formidable array of trade cases alleging that they have been dumping subsidised steel products in the US market.

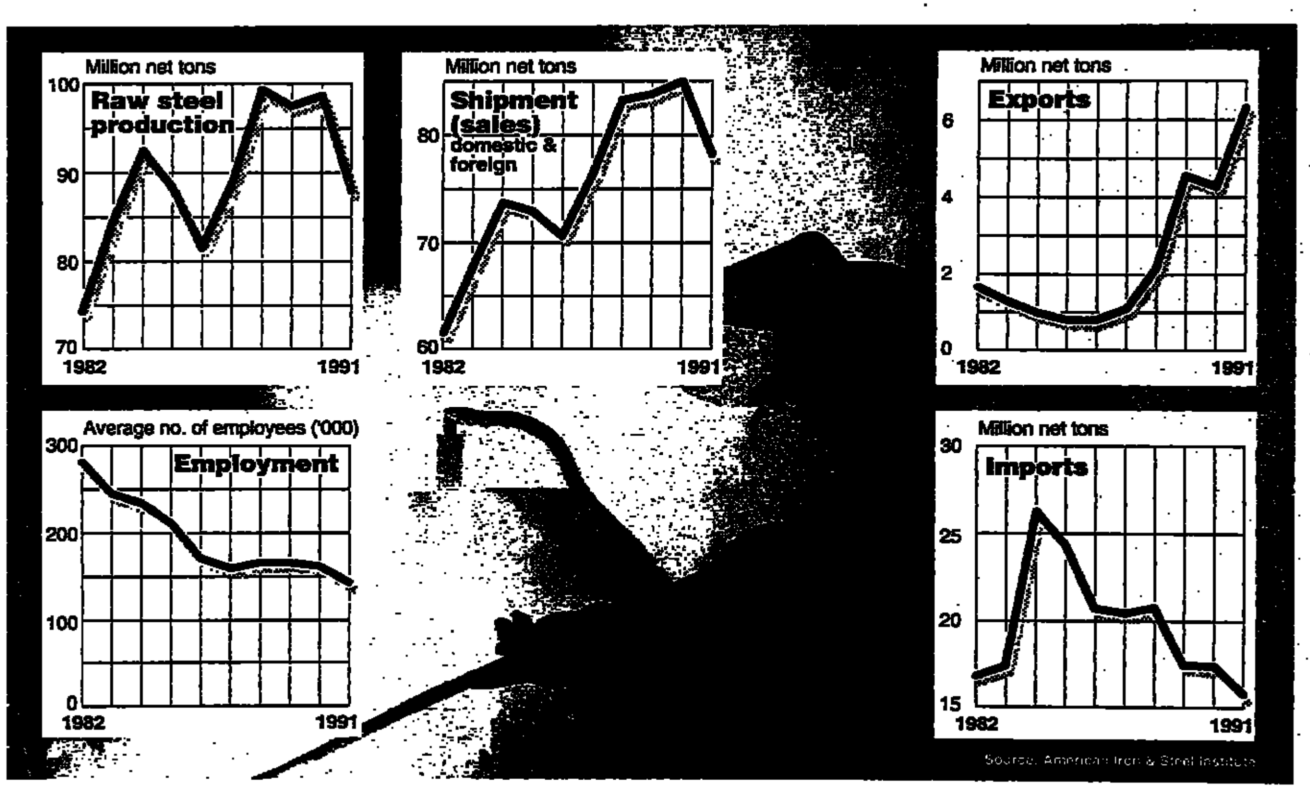
The same tactic was used or threatened in 1977, 1982, 1984 and 1989, and in the end foreign competitors agreed to provide protection for US steel producers through "voluntary" quotas.

This time around 12 steel producers – including the six largest in the country – have filed 84 cases against companies in 21 countries. But because many mills have withdrawn from other production, the complaints target only flat-rolled carbon steel, which accounts for more than 60 per cent of all steel shipments (sales) in the US.

The tenor of the complaints is familiar. Worldwide overcapacity and a softening steel market has made it attractive for producers to "routinely and systematically" dump in the US market "far below fair market value and often below the cost of production".

This along with "massive foreign subsidies" helped the US industry to a $2.2bn loss last year. While foreign governments have been aiding their industries to restructure, US steel has had to do it alone. In just 10 years it has slashed employment by 58 per cent – 225,000 jobs.

The last decade has brought other changes which make questionable any assumption that the trade complaints will bring the industry the beneficial results they have in the past.



Although the US economy is weak, it is in better shape than in 1982. Interest rates are low; inflation is under control. After 7½ years of the "voluntary quotas", the industry – aided by the weak dollar – has become an exporter.

Lawyers representing foreign clients are much more confident that this year they will not be drowned in the tidal wave of complaints. They say it will be difficult to prove that the US industry has been injured by imports when American exports have risen steadily since the mid-eighties.

Meanwhile, according to Eurofer, the EC steel industry organisation, US imports have dropped from 26m tonnes in 1984 to an annual 17m tonnes. During the last three years, the EC exported no more than 70 per cent of its quota share. The "heart" of the American "problem", Eurofer claims, is low prices, driven by domestic competition and indirect subsidies, such as tax breaks.

Mr Pierre F. de Ravel d'Esclapon, who represents France's Usinor-Sacilor, says the US International Trade Commission (ITC), the body which determines injury, has become "much more professional, more lawyerly and judicial". By often overruling the ITC, the district courts and the Court of International Trade have forced the commission to pay close attention to the evidence that is in the record.

Meanwhile, the commerce department – which determines the existence of subsidies or dumping – has also been disciplined by the courts. In 1982, it was "a babe in the woods" playing politics, said Mr de Ravel. Its proceedings are more court-like and its rulings more consistent and less "arbitrary and capricious".

Although it costs the US industry between $500,000 to $1m to bring a trade complaint, the investment has in the past always paid off in higher prices and, ultimately, protection. This time, however, it is taking more of a gamble.

It has faced an outpouring of indignation from its closest trading partners – many of which, such as Japan and Korea, provided much of the $23bn for the US industry's new investment over the past several years.

US steel prices, in real terms, are lower now than a decade ago, according to Mr Thomas Usher, president of US Steel, who yesterday told the US International Trade Commission (ITC) yesterday that "pernicious" trade practices have been injuring the US industry, Matt Kaminski writes from Washington.

"The agony of the American steel industry has become part of the national folk lore," said Mr Alan Wolff, an industry lawyer. The ITC was weighing testimony from US and foreign steel manufacturers for its preliminary ruling on injury, due next month.

Although US exports have been rising, they face closed markets in the EC and eastern Europe, American steel officials said.

American steel exports must now face 27 countries with their own dumping laws. Canada filed four cases immediately after the US action; Mexico had two already under way. (Trade lawyers say that, because of its weak currency and industry losses, the US is particularly susceptible to charges of dumping and that the industry could be found guilty of receiving indirect subsidies.)

President George Bush has virtually sworn that no more protection will be forthcoming. He might be vulnerable to election-year pressure, but this time, before agreeing to voluntary restraint agreements (VRAs), the defendants are more likely to see the entire complaint process to the end. That will not come until after the November election.

EC, Brazil agree more talks on milk duties

By Frances Williams in Geneva

THE European Community and Brazil agreed yesterday to try again to resolve differences over anti-subsidy duties imposed by Brazil on imports of EC milk powder.

The EC had asked for conciliation by the subsidies committee of the General Agreement on Tariffs and Trade (Gatt), which met yesterday, as a preliminary step towards calling for an independent panel investigation. The committee asked the two sides to continue consultations on a mutually acceptable solution, but if these fail the EC can ask for a panel after 30 days.

The Community claims Brazil imposed the provisional 31-52 per cent countervailing duties in April without observing procedures laid down under Gatt's subsidies code and without establishing that the imports had in fact injured Brazilian producers.

Brazil yesterday denied the claims, and said it would supply to Brussels evidence on subsidies by the EC, the harm done to domestic industry and the link between the two.

The row is yet another example of the trade friction generated by failure to complete the Uruguay Round of Gatt talks, which includes a revised version of the subsidies code. Brussels claims Brazil, and also Argentina, are flouting existing rules because they are angered by the Uruguay Round impasse over farm trade reform.

UK trade minister starts visit to HK and China

MR Richard Needham, Britain's trade minister, arrives in Hong Kong today for an eight-day visit to Hong Kong and China intended to pave the way for a UK industry mission in November, writes David Dodwell.

Mr Needham has flagged the mission as "the most important trade mission this country has ever seen to China."

In Hong Kong, Mr Needham will discuss export opportunities and the territory's role as a springboard for business in China and across the Pacific Rim, a region "which offers the British economy and British companies the biggest opportunity for growth of any area in the world," he said yesterday.

While in China, Mr Needham's discussions on bilateral trade will dovetail with the forthcoming talks with the Overseas Development Administration on a new line of concessional aid and the availability of export credit cover to China. Britain's second line of credit to China – which was worth £300m – has now been used up.

"I am anxious that China fully understands that the British government, commerce and industry are taking a long-term view of building business across China in a whole range of sectors," he said, conceding at the same time that Britain had failed to exploit Hong Kong effectively both as a market in its own right, and as a springboard for business in China.

Hong Kong is Britain's 15th largest export market, with exports rising by 13 per cent last year to £1.39bn, and a further 22 per cent up to May this year, Mr Needham said. Britain's exports to China fell last year by 40 per cent to £322m, but are understood to have rallied by 20 per cent in the first five months of this year.

The visit will be the first to China by a British trade minister since the Tienanmen Square massacre in June 1989.

Sweden warns on trade

THE Swedish Export Council has warned companies that they should export to the former Soviet Union only on an advance-payment basis, after a survey showed unpaid debt to Swedish firms had nearly doubled in six months, Reuter reports from Stockholm.

In its survey covering 32 Swedish companies, the export council said payments due from companies in the former Soviet Union, mainly Russia, grew to Skr456m (£44m) in June from Skr256m in January.

"Our general recommendation is that Swedish companies should demand advance payments or bank guarantees before delivering any goods," Mr Staffan Stenstrom at the export council said.

Swedish exports to the former Soviet Union totalled Skr2.3bn in 1991.

Damian Fraser meets the man charged with modernising Mexico's telephone service

Quest for good connections

Carlos Slim, the Mexican businessman who controls Telmex, the country's recently-privatised telephone monopoly, has one of the most demanding jobs in Mexican business: to turn the woefully inefficient Telefonos de Mexico (Telmex) into a modern, internationally competitive telephone company by August 1996.

On this date, Telmex's lucrative monopoly on long-distance and international calls runs out. Between now and then, Telmex has to meet – under pain of penalties – a series of government-mandated "quality of service" targets.

Jacques Rogozinski, who was in charge of privatising Telmex, sums up the challenge facing Slim and his two foreign partners, Southwestern Bell and France Telecom. "The owners of Telmex have a gun at their head. By 1996, there has to be a world-class telephone service at international prices." Or, he implies, there will be trouble.

Slim, the son of well-off Lebanese parents, has become probably the country's richest businessmen thanks to a series of shrewd acquisitions of under-priced Mexican companies in the mid-1980s. He describes his business philosophy as "low costs and low overheads", to which others add tough, and sometimes ruthless, negotiating.

Slim's most significant, and controversial, managerial impact has been in his negotiations with suppliers, that he says reflects the businessman's – as opposed to the public official's – concern to reduce costs and optimise investment. Last year, Telmex cut heavily inventories of cables and other equipment that in many cases were equivalent to a year's supply.

This year Telmex, at the behest of Southwestern Bell, brought in a third supplier, A T & T, and forced Ericsson and Alcatel, the two existing suppliers, to cut their prices for installing central offices and lines – saving about $250m a year.

In the 18 months since privatisation, this strategy has done wonders for Telmex's investors. Costs have risen much less than analysts predicted, and the controlling group's original 20.4 per cent stake is now worth about $6bn, compared with $1.76bn in December 1990.

However, some argue that Slim has been too keen to cut costs for the customer's good. A former Telmex director says stocks of some key parts ran out at the end of 1991causing disruption.

Slim is also criticised for centralising labour, management and purchasing decisions in Mexico City. Telmex, when in government hands, had decided to divide itself into regional and fairly autonomous profit centres. The decision to re-centralise may have cut financial and operating costs but, says the former director, it has reduced the ability of the company to respond to local telephone needs.

Such criticisms are strenuously rejected by Slim, and Juan Perez Simon, Telmex's general director, but there is little argument that service has yet to improve. In 1989, the year before privatisation, Mexico's consumer protection agency received 13,277 complaints about Telmex – ranging from over-billing to shortcomings in its service. In 1991, complaints increased to 63,996, and in the first quarter this year there were another 21,822. Telmex receives about 40 per cent of all consumer complaints in Mexico.

Perez Simon says that now the company has identified most of the cost savings, its priority is to improve quality. In this the management's hand has largely been forced. In return for extremely light regulation of prices and generous tax treatment, the government has required Telmex to invest $2bn-$3bn a year to improve service. As a public company Telmex was starved of cash and unable to invest sufficiently to improve service.

Telmex is thus investing nearly $8bn from 1991 to the end of 1993 in increasing the number of lines to 7.5m, from 5m in 1990; installing 13,500 kilometres of fibre optic cables which will connect just about all long-distance calls; and replacing old central exchanges with automatic digital ones, so that by 1993, 60 per cent of local exchanges will be digital, from 29 per cent in 1991.

'The owners of Telmex have a gun at their head. By 1996, there has to be a world-class telephone service at international prices,' says Jacques Rogozinski. Or, he implies, there will be trouble

The management says, almost in unison, that the company did not deteriorate overnight and it is not going to improve overnight either. Technologically, Telmex matches the position of most US telephone companies in the 1970s – using mostly unreliable analogue technology that requires, for example, 12,000 operators to fill in by hand 8m long-distance billing tickets every month. There is still a backlog of about 1m lines, and the waiting list is more than a year.

By 1996, every city in Mexico will have digital telephones and just about all long-distance calls will be relayed through fibre-optic cables. "Mexico," says Perez Simon "will have by 1996 as good as or even better telephone service than most parts of the US."

Slim evidently does not believe that this would have been possible under the old management of Telmex. Since taking over the company, he has fired 13 of the top 17 directors and brought in some of his colleagues from Grupo Carso – the sprawling tobacco-to-telephones conglomerate that he runs from a four-man office in Mexico City. He has also brought in hundreds of managers from Southwestern Bell and France Telecom.

Slim suggests tactfully that the previous managers – all public sector employees – "did not have a vocation for business". John Atterbury, head of Southeastern Bell's Mexican operations, puts it differently. "The whole management style is different," he says.

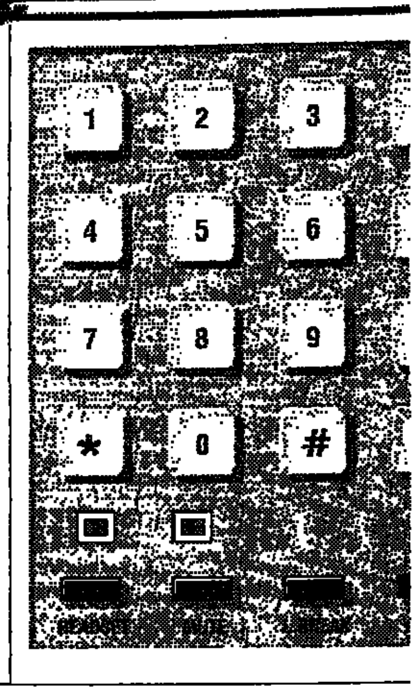
The result, according to Atterbury and Slim, is a host of improvements that have cost little money, and two of which exemplify the company's commitment to better service.

● Before privatisation, it was difficult to report telephone faults to Telmex since there was no operator to answer the phone. So the new management negotiated with unions to double the number of operators working in this area. Now customers can at least report broken phones, even if they are not fixed any sooner.

● Starting in Puebla, Telmex is aiming to install phones within 30 days. By the end of this year, says Atterbury, 40 per cent of phones will be installed in under 30 days.

The change in Telmex is apparent to Mexico's two main suppliers, Alcatel and Ericsson. "Telmex is much more customer-service orientated than before," says Rodrigo Calderon of Alcatel. "All they now have to put in place is the hardware to meet customer needs." Jorge Arredondo of Ericsson agrees. He cites, for example, a "drastic change in the way they plan telephone switches. Before, if we had to install 600,000 lines we had to go to 800,000 places; now we have to go to half that many."

Both these suppliers have lost most from Slim's tough, bare-bones approach to running Telmex, with their profits dropping sharply last year. What is still unclear is whether the ultimate beneficiaries will be, as of now, the owners of Telmex stock, or Telmex's long-suffering customers.



	Lines in service per 100 inhabitants as of 1.1.1990	1989 GDP per capita ($)
Mexico	6.1	1,990
Argentina	10.7	2,160
Brazil	6.0	2,550
Chile	5.2	1,770
France	47.3	17,830
Japan	43.2	23,730
Poland	8.3	1,760
Spain	30.4	9,150
US	53.3	21,100
Venezuela	7.6	2,450

Sources: Siemens, IBRD

Armageddon view of European pricing

Christopher Lorenz takes issue with a scaremongering study of company profitability

A pricing "time bomb" is ticking under the profitability of many companies in Europe. By depressing product and service prices across the European Community to the lowest national level, it could threaten their very existence if they do not act quickly.

That is the Armageddon view of European pricing expressed by two leading German business academics, Professor Hermann Simon and Dr Eckhard Kucher. They blame pressures to create common cross-border pricing which they say are being exerted by parallel importers and strong retailers.

The only way out, they argue, is for companies smartly to raise prices in their cheapest markets, or to quit those markets altogether. In an article in the summer issue of the European Management Journal*, the two academics say that each company must also establish a centrally-calculated "European price corridor" within which prices in each of its national markets must be set.

There is, however, a much less nightmarish view of the situation. It has been gaining ground among manufacturers since their panic a few years ago over the approach of the European "single market". In a phrase, it is that reports of the death of national price differentiation have been greatly exaggerated.

This school of thought argues that the fear of standard European pricing fails to take account of several important factors: that

● Cross-border retailers are still few and far between, and that national retailers show little interest in harmonising purchase prices;

● The degree of parallel importing is still very limited;

● The number of products in different European countries which are similar, let alone identical, is also limited;

● Identical products tend to be positioned very differently in different countries;

● Distribution and retail patterns, and therefore pricing pressures, vary widely from market to market;

● There is even a trend for different retailers within the same country to demand varied packaging on identical products.

This view holds that the alarmist prophesies of European pricing consultants are little more than scare-mongering tactics.

Yet Simon and Kucher have some strong scare stories, and they offer valuable advice to those companies facing pressures to harmonise their selling prices across Europe.

They tell, for example, of the "horrific" situation confronted last year by a leading Germanic manufacturer of consumer products, which sells through large retailers, some of which have operations in several countries. Simon and Kucher call the company Logo GmbH to preserve its identity.

Logo was told by its largest retailing customer to supply products in each country at one European price - the lowest in Europe. This happened to be in Portugal. Logo had no choice but to comply, and this slashed its prices by an average of 20 per cent. The consequences for its profits were "disastrous" - it incurred the first loss in its history.

Rather than starting hastily to align prices on to a low common European level, companies should do everything they can quickly to raise levels in low-price countries even if this hits market share, argue Simon and Kucher.

They propose a range of complex but objective techniques for assessing the optimum price; such decisions are often taken too subjectively, they complain. The techniques - including something called "conjoint measurement" - also help analyse all the competitive and other trade-offs which must be made to determine the ideal level and breadth of a "European price corridor".

The academics have several particular points of advice:

● Attack the problem dispassionately. Since most companies' turnover comes mainly from large countries, nothing is more foolish than to undermine their price levels through low prices in small countries. For instance, Logo would have done far better to have abandoned the Portuguese market.

● Price elasticity varies between countries more than many companies realise. To ignore this in the quest for a uniform European price is to throw away profit. Also, it may be better to tolerate a certain amount of parallel imports.

● Determination of a company's European price corridor is not only complex, but also painful in organisational terms. Pricing decisions must be taken centrally, even though this flies in the face of most companies' existing decentralisation of pricing - and of profit responsibility.

"Because of these incompatibilities, European pricing is an area of continuous conflict in many multinational companies."

* *The European Pricing Time Bomb. EMJ June 1992. Marston Books Services, Oxford, England. Fax 0865-791927.*

OUR DIESELS HELP CLEAN UP THE AIR AND DON'T MESS UP THE BALANCE SHEET.

Three black cars.

Correction. Three green cars. Diesels pump out less carbon dioxide than petrol-engined cars.

At the same time, you can pump in diesel fuel that's free of noxious lead.

Good for Mother Nature, as we all know. And if it's a company car, good for Mr. Scrooge, the accountant.

He'll enthuse over the figures for mpg, reliability and residual value.

You, on the other hand, will hardly know it's a diesel. No tell-tale rattles. And on turbo diesels in particular, no tell-tale sluggishness.

In fact, the only tell-tale sign is the 'diesel' sticker on the filler cap.

Not that you'll see this too often, with our diesels' meagre thirst.

While they're economical by the mile, they're equally frugal by the month.

As the contract hire rates show, the company cash won't flow, but trickle.

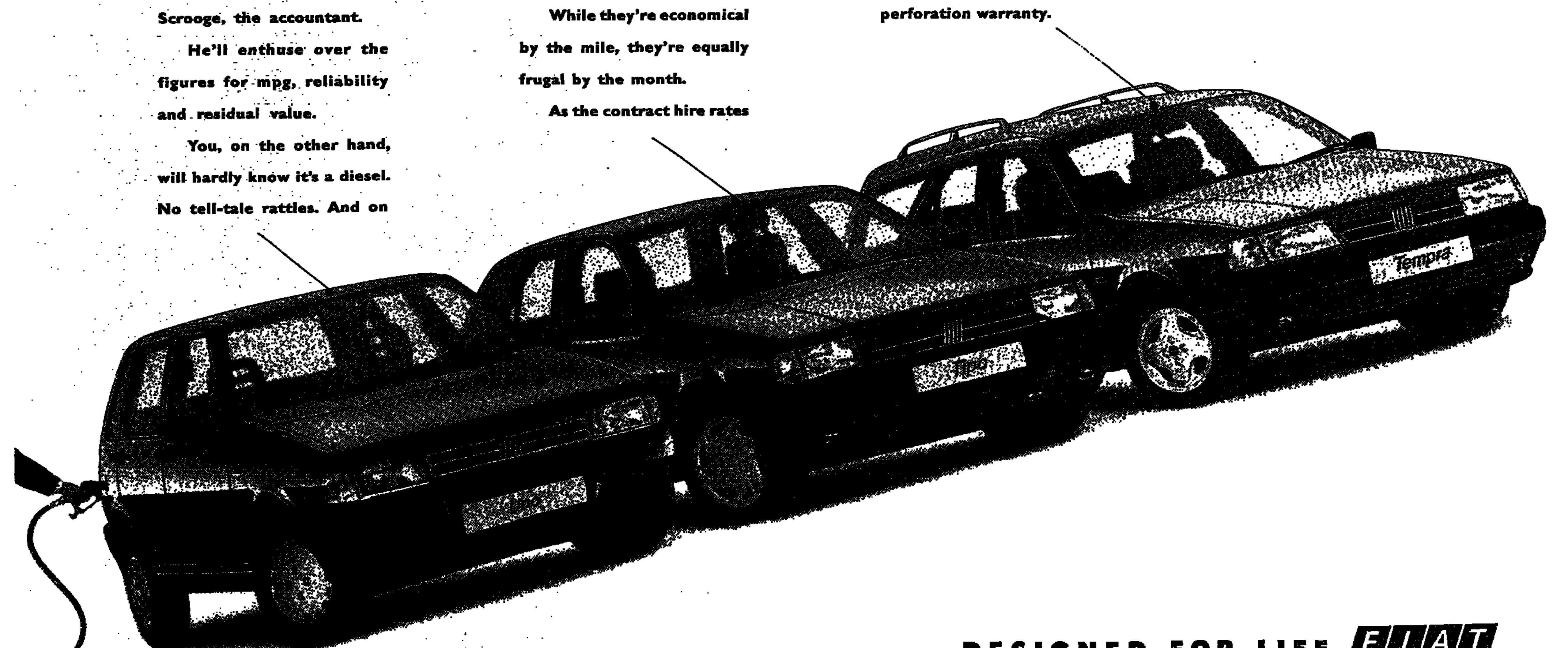
Especially as every Fiat comes with a year's free AA Assurance membership, a one year manufacturer's warranty, a 3 year paintwork warranty and an 8 year anti-perforation warranty.

Ring 0800 717000 for our contract hire brochure.

In more ways than one, you'll clean up.

Fiat Diesel Contract Hire Rates*:

Uno 60DS	£238.77 p.m.
Tipo 1.9TD SX	£291.80 p.m.
Tempra 1.9D	£274.13 p.m.
Tempra 1.9Tds	£318.98 p.m.
Tempra 1.9Tds S.W.	£338.19 p.m.



DESIGNED FOR LIFE FIAT

*MONTHLY RENTALS BASED ON 3 YEARS AND 60,000 MILES IN TOTAL WITH 3 RENTALS IN ADVANCE FOLLOWED BY 33 FURTHER RENTALS. ALL RENTALS ARE SUBJECT TO VAT FOR BUSINESS USERS ONLY. PRICES CORRECT AT TIME OF GOING TO PRESS

BUSINESS AND THE ENVIRONMENT

Politicians and businessmen are working together to clean up the Mediterranean, reports **Haig Simonian**

A case of sink or swim

As the dust settles on last month's Earth Summit in Rio, environmentalists are shifting their focus from global to regional issues in a series of post-Rio gatherings designed to assess the implications of the summit for specific parts of the globe.

The first big meeting of its kind came earlier this month, with a two-day conference of business and political leaders to discuss ways of improving environmental protection in the Mediterranean without sacrificing industrial development and growth.

Organised by the Aspen Institute in Italy, the meeting, appropriately held on a cruise liner sailing between Genoa and Corsica, brought together environmental luminaries such as Carlo Ripa di Meana, the European Community's Commissioner for the Environment until earlier this month, and Giorgio Ruffulo, the former Italian environment minister, whose job Ripa di Meana has just taken.

Among the senior businessmen present were Gabriele Cagliari, chairman of Italy's state-owned Eni energy and chemicals group, while the whole affair was chaired by Gianni De Michèlis, Italy's former foreign minister.

The Mediterranean is a test case for many wider environmental issues, notably oil and marine pollution. Aspen rules mean all discussion is off the record, and delegates cannot be quoted.

However, as one senior Egyptian participant accurately, if somewhat floridly, noted: "We, the 17 countries of the Mediterranean basin are hosts and guests, serving and being served at the one common round table, the sea, our common but colourful dish. We get what we produce and what we present; whatever we give to the sea, it gives back to us, multiplied and magnified; if good we reap the best and if bad we harvest the worst."

Some 120 coastal cities discharge their sewage into the sea, around 85 per cent of it untreated. It is estimated that 24 per cent of the beaches are unsuitable for swimming because of the sewage risk alone

The Mediterranean's problems are immediately apparent. Three years ago, millions of holidaymakers curtailed their seaside vacations unexpectedly as an army of summertime algae invaded Adriatic beaches. The problem has not recurred, at least as severely, but the Mediterranean continues to serve as one of the world's biggest liquid dustbins.

Some 120 coastal cities discharge their sewage into its waters, around 85 per cent of it untreated. It is estimated that 24 per cent of Mediterranean beaches are unsuitable for swimming because of the sewage risk alone. Meanwhile, within the cocktail of industrial waste finding its way into the sea are around 120,000 tonnes of mineral oils, 60,000 tonnes of detergents, 3,800 tonnes of lead, 2,400 tonnes of chromium and 100 tonnes of mercury.

Intensive agriculture in countries bordering the Mediterranean means that huge quantities of farm chemicals also drain into the sea. And estimates of other chemical discharges include 800,000 tonnes of phosphorous, 320,000 tonnes of nitrogenous compounds a year and 120,000 tonnes of phenols.

Delegates saw little sign of the chemicals. But sailing from Genoa, Italy's leading oil port, they had first-hand evidence of one of the biggest pollution hazards afflicting the Mediterranean. Around 35 per cent of the world's petroleum products transported by sea pass through its waters, contributing to the roughly 500,000 tonnes of crude oil pollution a year, according to one estimate.

Not surprisingly, discussions were long on the problems and short on solutions. However, the conference brought a range of regional environmental issues into relief.

None more so than the potential conflict between the need for urgent industrial development in less-developed Mediterranean states and the environmental risks. Faster economic growth is a priority for poorer states in the region, which are also facing huge population increases, as many north African delegates underlined.

Algeria's population will have grown fivefold between 1950 and 2025 if current predictions prove correct. By contrast, it would take France 2,000 years to raise its population as much, based on the current rate of change. And whereas in 1950, two thirds of the total population of the Mediterranean basin – then 350m people – lived in countries on the sea's northern fringe, by 2025 the same proportion will be to the south, while the overall population will have risen to 540m.

Meawnhile, income differences are likely to become more acute. As matters stand, per capita annual income in the region ranges from only $600 in Egypt to $19,490 in France, according to World Bank figures.

But while environmental concerns have grown in rich, industrialised countries like France, Italy and Spain, which border the Mediterranean and use its waters to service a variety of seaboard and water-dependent industries, many of the less-developed countries in the region, particularly in north Africa, aim to create just a fraction of that coastal industrial infrastructure.

The demand for electricity alone is set to rocket in states on the Mediterranean's southern and eastern flanks. From a present annual generating capacity of around 110bn kWH, capacity is expected to rise to 900-1,100bn kWH by 2010, according to one expert. In the absence of new technologies, the increase will have immense effects on water use for cooling and evaporation.

Hence the main focus of the meeting was on the potential role of European business in helping the Mediterranean's poorer nations continue their industrialisation process, which is essential to provide the resources for their growing populations, without destroying their own environments and the common heritage formed by the Mediterranean itself. With the sea recognising no political boundaries, pollution from one Mediterranean country can quickly end up elsewhere at the whim of the wind and tides.

Surprisingly, demands for more resources, either from individual governments or from the EC, the most important political entity in the region, were conspicuous by their absence. Numerous environmental measures for the Mediterranean are already in place, both at EC level and unilaterally on the part of certain member states. "Money which comes from the developed countries can only be supplemental," noted one speaker.

Likewise, few present called for halting industrial development in poorer parts of the region. Even committed environmentalists accepted that the economic needs spurred by explosive population growth meant greater industrialisation was inevitable, and indeed desirable, if political systems were not eventually to collapse under the demographic strain.

Instead, the emphasis was on "sustainable development" for the region, and closer monitoring of environmental risks and new industrial projects which could worsen the damage.

In an on-the-record press conference after the meeting, De Michelis stressed the conference's call for the prompt application in the Mediterranean of Agenda 21 – the environmental programme approved in Rio – to make the region a guinea pig for similar action elsewhere.

His demand for a new Mediterranean Investment Bank drew less approval from delegates, many of whom stressed the adequacy of existing bodies for development aid and environmental monitoring.

But all agreed that better co-ordination between such institutions was an essential for governments and big business in the region to tackle the linked priorities of environmental protection and sustainable development.

Only by improved co-operation between existing environmental bodies and organisations like the European Commission could action be taken to "map" the environmental problems of the region prior to closer assessment. And only by improved "networking" between big companies could industry contribute to regional needs by "benchmarking" to learn from the example of companies already performing best on environmental protection.

Mediterranean economic and social indicators

	GNP per capita (1990 $)	GDP AAGR* (1980-90) %	Population AAGR* (1980-90) %	Urban population %	Life expectancy	Infant mortality (per 1,000 live births)
Algeria	2,060	3.1	3.0	52	65	67
Egypt	600	5.0	2.4	47	60	66
France	19,490	2.2	0.5	74	77	7
Greece	5,990	1.8	0.4	63	77	11
Israel	10,920	3.2	1.8	92	76	10
Italy	16,830	2.4	0.2	69	77	9
Morocco	950	4.0	2.6	48	62	67
Spain	11,020	3.1	0.4	78	76	8
Syria	1,000	2.1	3.6	50	66	43
Turkey	1,630	5.1	2.4	61	67	60

Source: The World Bank   * AAGR – Annual average growth rate

EC packaging laws tied in red tape

By John Thornhill

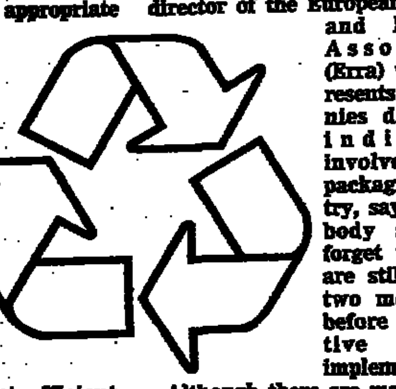
The European Commission last week extended its influence into the murky depths of the Euro-dustbin when it published its long-awaited directive on the ticklish issue of how best to avoid packaging waste.

The EC put forward far-reaching proposals aimed at harmonising environmental laws across the Continent and reducing the 50m tonnes of packaging waste produced in the Community each year.

Its hierarchy of preferred solutions is: minimisation of the packaging used in particular products, followed by recovery and recycling, with final disposal in landfill sites remaining a last resort.

The directive sets the seemingly staggering target that within 10 years of implementation 90 per cent of all packaging waste by weight should not reach the waste stream and 60 per cent of each packaging material recycled.

It expects that within five years of implementation the member states will have set up appropriate systems to collect packaging waste from the consumer, enabling them to ensure that it is effectively re-used or "recovered".



The concept of recovery is a loose one – much to the packaging industry's relief – allowing for the "value" of any product to be recovered by the most efficient means possible – a process known as valorisation. So, for example, it will be considered equally valid either to recover the energy from a product by burning it and utilising the heat or composting products for agricultural use.

However, few sectors of the packaging industry in any European country come near to the required rates of recycling. The targets, therefore, represent a formidable challenge. At present, only 20 per cent of the waste produced in the EC is recycled.

Nevertheless, many industry representatives have reacted favourably to the ambitious proposals, believing they will help forestall discriminatory national legislation and create a flexible framework enabling the best environmental solutions to emerge in each of the member states.

Jane Bickerstaffe, technical director of Incpen, the Industry Council for Packaging and the Environment in the UK, says: "We welcome anything that is a step towards greater certainty."

But some still have reservations. The Alliance for Beverage Cartons and the Environment, which represents many international companies involved in producing multi-layered cartons, says it still has "serious concerns" about the unrealistic targets that have been set, which run the risk of creating mountains of waste.

But there is a surprising degree of flexibility even on this score. The EC accepts that its targets are "aspirational". A clause in the directive suggests they may be modified if research shows that other processes of recovering waste prove to have greater environmental advantages.

Jacques Fonteyne, managing director of the European Recovery and Recycling Association (Erra) which represents 31 companies directly or indirectly involved in the packaging industry, says: "Everybody seems to forget that there are still at least two more years before the directive will be implemented."

Although there are many battles still to be fought before the proposals are enacted in national laws, there appears to be a growing consensus across Europe about the priorities that the directive enshrines and the solutions it prefers.

Last weekend, Klaus Töpfer, Germany's environment minister, spoke about the creation of a "circulation economy" where the components of every manufactured product are re-used at the end of their useful lives.

As environmental campaigners are fond of saying: "We have to stop thinking in terms of straight lines and start thinking in circles."

The EC directive on the avoidance of packaging waste may be wobbly around the edges but at least the outline of such a circle is beginning to take shape.

FT LAW REPORTS

Recoveries are not on trust

NAPIER v KERSHAW
Court of Appeal
(Lord Justice Dillon, Lord Justice Staughton and Lord Justice Nolan)
July 9 1992

STOP LOSS insurers with a right of subrogation against an assured must normally claim at common law in debt or for monies had and received, and have no equitable remedy directly against recoveries held for the assured by his agent. And where the loss is insured above a certain minimum and below a certain limit, excess to be borne by the assured, recoveries should be applied first in recouping any loss above the limit, then the layer insured, and finally excess below that layer.

The Court of Appeal so held when dismissing part and allowing part of an appeal by the defendant stop loss insurers from Mr Justice Saville's decision as to the order of appropriation out of settlement monies recovered by solicitors, Richards Butler, as agents for the plaintiff Lloyd's Names, Lord Napier and others.

LORD JUSTICE Dillon said that 987 Lloyd's Names who belonged to the Outhwaite Syndicate had formed an association to claim against RHM Outhwaite Underwriting Agencies Limited and members' agents at Lloyd's to recover losses attributable to allegedly negligent underwriting.

Under a settlement in March 1992, £116m was paid by the Outhwaite defendants to Richards Butler on behalf of the names.

Of that total, £80m was attributable to past paid and notified cash calls in respect of losses of the Outhwaite Syndicate. The balance was irrelevant to the appeal.

The defendant stop loss insurers were joined as representatives of other Lloyd's Syndicates which wrote stop loss insurance policies for 1982 for individual names.

Those Names who had not effected stop loss policies with the insurers had had their shares of the settlement monies released to them.

On the appeal the first issue was whether the stop loss insurers could recover whatever they were entitled to recoup directly from the monies in the hands of Richards Butler, on the ground that they were held on constructive trust for the insurers to the extent of the amount they were entitled to recoup from each name.

Richards Butler received the settlement monies as agents for the names in the ordinary course of their practice as solicitors.

In *Lee v Sankey LR 15 Eq 204,211* Bacon V-C said "A mere agent of trustees is answerable only to his principal... in respect of trust monies coming into his hands."

Accordingly, the stop loss insurers did not claim that Richards Butler were constructive trustees.

Their claim was that the names were constructive trustees of the recovery monies, and that the amounts due to the insurers were traceable in equity in the monies held by Richards Butler.

It was common ground that in appropriate circumstances a remedy in equity by way of constructive or resulting trust or a remedy at common law, might arise out of different aspects of the same transaction. Equity and common law were not mutually exclusive.

However, the doctrine of subrogation was a common law doctrine long before the fusion of law and equity. Also the intricacies and doctrines connected with trusts ought not to be introduced into commercial transactions, and an agent in a commercial case ought not to be turned into a trustee with all the troubles that attended that relation (see *New Zealand and Australia Land 7 QBD 378, 382*).

Even so, in appropriate circumstances a constructive trust might be held to have arisen out of a common law relationship.

In *Lister v Stubbs 45 ChD 1* it was held that the relationship between a company and an employee who had corruptly received commission from a customer, was that of debtor and creditor, not one of trust, with the result that the company could not claim ownership of investments which the employee had bought with the commission. The company's proper course was to recover a money judgment.

No doubt in an appropriate case even in an insurance context, recoveries which an insurer was entitled to claim by subrogation could have been held on constructive trust for the insurer.

But it was not automatic that whenever the assured recovered monies in circumstances giving underwriters a right to recoupment, the recoveries would be held on a constructive trust for the underwriters insofar as they were traceable in equity among the assured's assets.

Such a very broad approach would be inconsistent with the essentially common law origins of subrogation in insurance law.

In the present case there was nothing in the circumstances to turn the stop loss insurers' subrogation claim against the names from a common law claim in debt or for monies had and received, into a claim under a trust.

Mr Justice Saville rightly held that a constructive trust was not made out. The appeal was dismissed on the constructive trust point.

The second question arose out of the provision in each stop loss policy for the insured to bear an excess. The insurers only insured losses above a certain minimum and up to a certain maximum.

The Names claimed and the judge held that they were entitled to recoup the excess out of recoveries before anything was payable to the insurers by way of subrogation.

Under the insurances the underwriters were to indemnify the assured "for the amount by which the assured's... loss... exceeds the amount stated as excess in the schedule". It was provided that the underwriters' liability should not exceed the amounts stated as "limit" in the schedule.

The case was argued on hypothetical figures. An excess of £25,000 and a limit of £125,000 were assumed, giving a layer of insurance of £100,000. The underwriting loss was £160,000.

The top £35,000 (the difference between £160,000 and £125,000) might be uninsured, or might be covered by another layer of stop loss insurance with a different insurer.

The case for the stop loss insurers was that if there was any recovery by the Name after they had paid him the £100,000, the recovery should be applied first in recouping the top £35,000 whether insured or not, and second, in recouping the £100,000 to the stop loss insurer. Recoupment of the £25,000 excess would only begin if the recovery exceeded £135,000.

The case for the Names, which the judge accepted, was that it was fundamental to the law of subrogation that there could be no recoupment to an insurer until the assured had recovered the whole of his uninsured loss.

Therefore, it was said if the top £35,000 was uninsured, any recovery would go in recoupment to the name of the £35,000 *and* the £25,000 excess, and only then towards recoupment of £100,000 to the stop loss insurers.

The Names' contentions were inconsistent with the agreement that there was to be an excess which was to be borne by them. The application of recovery monies as contended for by the Names would have the effect of turning the stop loss insurers into insurers of the first £100,000 of the underwriting loss without any excess.

The insurers' argument that recovery should be applied from the top down leaving the excess the last to be recouped, was preferable.

Accordingly, the appeal was allowed on the excess question.

Their Lordships gave concurring judgments.

For the insurers: David Donaldson QC and Michael Swainston (Clyde & Co)

For the Names: Anthony Boswood QC and Stephen Moriarty (Richards Butler)

In *Depositors Protection Fund v Dalia, Financial Times July 16 1992*, Lord Irvine of Lairg QC was leading counsel for Mrs Dalia.

Rachel Davies
Barrister

PEOPLE

Williams seeks window of opportunity

George Williams, the 64-year-old founder of the recently floated Anglian Group, is back in business and planning to challenge his old company for the leadership of Britain's replacement window market.

Williams, who started Anglian from one small workshop in 1966, has been appointed executive chairman of Aspen Windows, which has been formed by executives made redundant by Anglian. The firm, which will shortly move out of a chicken hut on Williams' Norwich estate, is a minnow compared with Anglian – valued at £184m when it was floated on the stock market this month.

However, for a seven-month-old company, it has made an impressive start. It employs 250 people, has a dozen showrooms and in its first seven months has generated £4m of turnover. This is small beer compared with Anglian's annual turnover of close to £150m, but Williams has big ambitions. Among his executive team are several Anglian veterans including Malcolm Woodcock, Fred Searle and Denis Allen who either lost their jobs or retired.

"I believe we can put Aspen Windows in the top three window companies within five years. Maybe even become market leader," Williams says. However, he stresses that he is not "doing it for the money, but for the pure enjoyment". He made a sizeable fortune when he sold Anglian to BET in 1984, and although he retired from Anglian in 1989 he says he misses the window business.

Although some might question the wisdom of starting a new business in the midst of a recession, Williams is confident. He says that people are "virtually giving away" showrooms and he has no difficulty recruiting professional staff. "It was the case of the blind leading the blind in my early days," he says.

Anglian, whose stock market debut was marred by the general nervousness of investors, seems unruffled by its new competitor. It says that it has certain covenants with Aspen preventing its sales people competing for its business until January 1993. It also notes that it is a business where there have always been lots of small competitors.

Moves in insurance

■ Alistair Gregory-Smith has been appointed md of Towry Law Financial Planning and a director of TOWRY LAW.

■ Mark de Saram, senior underwriter – treaty underwriting, is to become president (designate) of NRG VICTORY CANADA MANAGEMENT in September and will take over the Canadian operations when Mike Hughes retires next year.

■ Brian Warburton has been appointed chairman of Heath Collins Halden (Scotland), a division of C E HEATH, in place of Bill Reid who has retired.

■ Martyn Hooper and Charles Ross have been appointed directors of CT BOWRING REINSURANCE. Hugh Morland has been appointed chief executive of BOWRING FINANCIAL & PROFESSIONAL INSURANCE BROKERS. Anthony Bolton, Howard Green and Brian Hibbert have been appointed directors of BOWRING Financial & Professional Insurance Brokers; John Westoby, Andrew Edward, Stewart Emery, Howard Green, Brian Hibbert and Mark Skilton have been appointed directors of Bowring Aviation; Anthony Bolton, George Burr, Ian Foster, Howard Green and Russell Howe have been appointed directors of BOWRING MARINE & ENERGY; Howard Green, Martin South, Michael Syson and John Windsor have been appointed directors of Bowring Worldwide Insurance Brokers; Yasmin Mustafa has been appointed a director of CT Bowring Space Projects.

■ David Kay, formerly senior marketing manager of NRG Victory Reinsurance, has been appointed assistant vice-president, group insurance marketing, of SUN LIFE OF CANADA.

■ Philip Rhodes, deputy general manager General Accident, has been elected president, and Tony Lancaster, chairman and chief executive of GAN Minster Group, deputy president of the INSURANCE INSTITUTE OF LONDON.

Dunn's direct route

Alexander Dunn is to head a new direct motor insurance operation being launched in the UK by the French Groupe des Assurances Nationales.

Dunn, a 39-year-old Scot who has spent 20 years with Eagle Star, helped launch the company's direct sales arm in October 1988.

After three and half years at Eagle Star Direct, Dunn has become a firm fan of direct sales methods, which uses a combination of mass media advertising, computer-based underwriting systems and telephone sales to bypass the broker, the industry's traditional middleman.

"From a business point of view it is the way the market is going. It is a very immediate way of doing business. You can test the concept, see the result and change strategy quickly if necessary," he says.

GAN intends to invest £1m initially in software and hardware into the operation, which is to be based in Portsmouth. Dunn is aiming for a 2.5 per cent share of the UK motor market by 1997 and also envisages selling household, personal accident and medical expenses cover by the direct route.

Departures

■ Michael Griffiths has retired from ALLIED-LYONS.

■ Les Carpenter is retiring after 42 years with the company and 18 on the board of REED INTERNATIONAL.

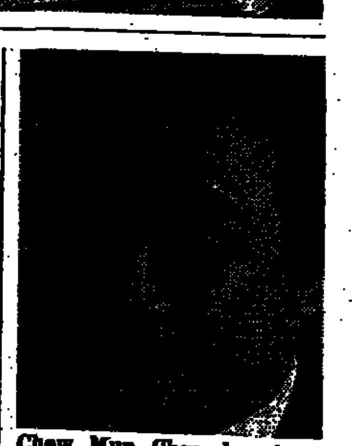
■ Malcolm Truepenny has resigned from TVS ENTERTAINMENT.

■ Daniel Corcoran is retiring from HIBERNIAN GROUP, but remains on the board of Hibernian Life.

■ Steven Gerard has resigned from MOUNTLEIGH.

■ Farzad Rastegar has ceased to be a director of FILOFAX.

■ Fred Grimwood, finance director of EFG, has died in a swimming accident.



Chew Mun Chan has been appointed deputy md of Cambridge Cable which is preparing to launch a telecommunications service in Cambridge in competition with BT next September.

Chew, who is expected to be at Cambridge Cable for at least the next three years, was department manager of network technical development at Singapore Telecom, which has taken a 41 per cent stake in Cambridge Cable. "He has worked in advance network planning – he has a lot of experience in that area," says Eric Tveter, Cambridge Cable's American managing director.

Aged 43, Chew was born and educated in Singapore and graduated from the National University of Singapore 20 years ago.

He joins a polyglot team at Cambridge Cable; another 41 per cent is owned by Comcast, the US cable tv and wireless company.

ARTS

Television/Patricia Morison

Trip a heavy Finn tango

MY colleague Christopher Dunkley is away on holiday, so I have been drafted in again to take his place on the historic green sofa. Invariably, people in the gallery world which is my usual beat react with moues of sympathetic disgust when they hear I am switching to pictures that move. In public at least, the super-refined Courtauld graduate still feels it necessary to react as if television was a dirty word.

And besides, hasn't everyone heard ad infinitum that British TV is going down the drain? But after a week of square-eying, my impression is that there is an extraordinary amount on the box which rates not just as passable, but as good, even memorably good.

Admittedly, the circumstances of a TV critic are special. There, stacked up on the carpet, is the pick of seven days' viewing. The dormouse factor becomes no obstacle to sampling, for example, Tuesday's *Donahue*, an after-midnight discussion which involved "a 33-year-old virgin, with a doctor's certificate to prove it, who is looking for a man".

The awesome responsibility of taking on Mr Dunkley's job necessarily means one's tastes become far more catholic. I marvel at what a prodigiously well-stocked mind he must have. All of us construct ring-fences to keep out subjects we believe do not interest us, when in reality it is just a way of keeping some kind of grasp on the things that do. Cut even a modest hole in the fence, and it is amazing the things which clamber inside.

Take Finland, a country which I admit ordinarily slips off my mental map – although it edged back on a few years back, after I learned that they have a weekly news broadcast in Latin. But Finland will truly never seem quite the same again after the excellent and howlingly funny *Tango in a Minor Key* (Saturday, BBC 2), *part of the long-running Rhythms of the World.*

Tango is big in Finland, and has been ever since 1913. Since 1940, it seems tango has become a national obsession, spiced a little with rock for the new generation, but still playing a crucial role in Finnish popular culture – not least, in putting shy Finnish man in touch with Finnish woman.

Aki Kaurismäki, Finland's top film-maker, sat hunched beside a birch-tree and a lake, fag in hand. The tango, he assured the interviewer, actually originated in Finland; Argentina only copied it. He uses it in every film he makes – and given Mr Kaurismäki's philosophy of life, they sound like Bergman crossed with Busby Berkeley. He says: "When you walk on this earth you have to be serious all the time. I hate people who laugh. It goes in my ears. That's why I never laugh."

Tango does not make Finns laugh, or even smile. But on the endless summer nights it attracts Finns to wooden community huts in the forest, ringed by car-parks and hot-dog and booze-stands.

Inside, men of all ages sit along on one side on a bench, wearing short-sleeved shirts and expressions ranging from gloom to fury. The women face them on the opposite bench. An electronic display-board announces which sex has the honour of asking for a dance. And you must accept unless the prospective partner is drunk – which is fairly often the case.

No one talks: Finns "are not prone to engage in small talk." No one laughs. It is not hard to dance the Finnish tango, which is marked *lentissimo* – like life itself, after all. The lyrics are pretty much the same as popular music everywhere, about love'n'death, except for a particular attachment to songs about following the birds and escaping across the endless water to a blessed isle.

An island with palm trees, as it would seem from the painted backdrops. Singers are, if possible, even more lymphatically sad than their audiences. Reigo Tappale used to be a poor wood-chopper, but for decades he has been the king of Tango. His recipe for success is "not just to stand there thinking of breakfast" and to take the lyrics very seriously indeed.

But Tappale does just stand there and belt it out. Gyrating would be seen as unserious. Besides, there is the great example set by the Tango singer of all time, Olavi Virta, who died in 1966. His gift, as an enthusiast explained, was to express the very soul of his native land. Plus: "he had enormous personal difficulties, also typical of Finland".

It seems that Virta's records still sell in huge quantities. How huge we were not told; if I have a criticism of this glorious programme, it was the absence of figures to back up the claim for tango's dominant position in Finnish cultural life. Do the people who lap up the Latin broadcast, also tune Radio Suomi to the Tango station?

There was something surprisingly downbeat about Robert Hughes's *Barcelona*, the Omnibus special (Thursday, BBC 1). This was billed as a personal exploration of the city by Mr Hughes, renowned Australian cultural historian and art critic for Time magazine. He fell in love with Barcelona in 1968. But the tenor of the film suggested that either the love-affair has cooled and Mr Hughes would rather be somewhere else, or he has a streak of the Finnish temperament.

There was no excitement in what he had to say about Barcelona. The film was lumbered with an over-long historical introduction pitched at the level of the tourist hand-out. Hughes's more idiosyncratic contributions amounted to not a lot, and were dominated by the splenetic reactions of the art critic.

He visited a post-modernist night-club where spikey balls are hung under the table to ladder your tights. As proof of Barcelona's "obsession with design", he evoked the nightly cruising of Barcelonans to admire the neat surgery on the bodies of transvestite prostitutes. He hosted a dinner-party where a miscellaneous bunch of Barcelona intellectuals all spoke at once and rubbished Gaudi's church of La Sagrada Familia.

Then he left town, pausing to tear into the shoddy design and dirty windows at the new airport. Hard to see what makes that a distinctively, revealingly, Barcelonan phenomenon.

Two consecutive programmes in the *Secret History* series (Channel 4, Monday, 9pm) have been well-made and and informative. Last week's dealt with October 17 1961 in Paris. Bystanders, journalists and policemen recalled what happened when police (headed by Maurice Pappon, now under investigation for wartime complicity in the deportation of Jews) brutally attacked Algerian demonstrators.

The police fired on the demonstration, made 11,000 arrests, and then continued over days to torture and kill the prisoners. Bodies were found floating down the Seine. It is widely thought that there were 50 deaths, although the official figure remains at only two. However, with the growth of support for Le Pen, the massacre is now beginning to be marked as a day worthy of commemoration.

The Last Days of Aldo Moro, this week, was quite as interesting. The extra fillip came from interviews with Red Brigades' terrorists who were involved in Moro's kidnap and eventual murder. The executioner spoke from his caged interview room, but the mastermind of operations who wanted to talk, was forbidden to take part by the prison authorities.

Glyn Genin

They do it differently in Helsinki, indeed they claim to have invented the dance. Here two Argentinians assay their art

Buxton Festival

ARRIVAL in Buxton for this year's festival brought one unpleasant surprise. The elegant neo-classical Crescent near the Opera House, for some years in a dilapidated state, is now boarded up, its future apparently uncertain. A petition has even been started to try to save the building – one of the region's outstanding architectural landmarks.

There seems to be a tradition in these parts that anything worth preservation has to wait until the 11th hour before action is taken. The festival itself has been on the brink of financial collapse more often than one cares to remember, so it is heartening to report this year that its finances are in a relatively healthy position, thanks to a substantial grant from the Foundation for Sport and the Arts.

One of Buxton's permanent assets is the classic Matcham theatre, which was lovingly restored in the late 1970s. It is a friendly and intimate venue, which is just the right place for the foraging into little-known *operatic territory that is the* festival's aim. This year, the two operas were by Handel and Rossini – ideal fare for this theatre, if not both as rare as they might have been.

The greater novelty (and the better performed of the two) *was* Handel's *Agrippina. This* is one of those early Handel Italian operas which is spiced with a surprisingly sharp wit. The familiar figures of Roman history are there, but their story is twisted into satire with some topical references. It is a slippery style to master and Adrian Slack's production sometimes had a grasp on its wry sense of humour, sometimes not.

It was at its best when the sharpest individual characterisations were parading the stage. Susan Roberts was a particularly masterful Agrippina, who exhibited the inner concentration, the way of uttering her wickedest lines through clenched teeth, that makes this monster of a woman come to life. Fiona Janes was a convincingly adolescent Nerone, Sally Harrison the luscious blonde bimbette of a Poppea. There were two very reasonable counter-tenors in Timothy Wilson as Ottone and Simon Clulow as Narciso.

The standard of singing was not, however, flawless, with several of the cast coming unstuck on the coloratura and parting company with the orchestra. The players were from the Manchester Camerata, directed with fine musicianship, though not always enough dramatic momentum, by Roger Vignoles. Perhaps the most consistent pleasure came from the designs of Dermot Hayes, whose mini-Colosseum in flames was an amusing contribution from one participant who clearly had his tongue firmly in his cheek.

The other production also looked good on a small budget, even if the designer, Ruari Murchison, seemed set upon painting the whole stage red, white and green in the Italian colours. Rossini's *L'italiana in Algeri* flies the national flag pretty blatantly and the main aim of Jamie Hayes's production was not to let us forget it.

As the patriotic Isabella, Jean Rigby was in every sense *the standard-bearer of the* evening. The warm resonance of her voice and the quality of her singing, though neither very Italianate in style, carried all before her. The other singers admittedly offered little resistance. Justin Lavender *sounded out-of-sorts as Lin*doro. Mark Richardson sang decently, but never grew into the grotesque and comical Mustapha; Richard Suart's Taddeo worked the comedy hard enough for the whole cast.

Still, *there have been worse* tributes to Rossini this bicentenary year and, indeed, less appealing productions of this opera in the past. The conductor, giving the performance much of the nimbleness of spirit it wanted elsewhere, was Jane Glover. She takes over as Artistic Director at Buxton in 1993, initially for a one-year period, and in her the festival will be looking for new vigour and ambition.

Richard Fairman

The festival continues until 2 August (Box Office 0298) 72190

Montreal Jazz Festival

IT would be difficult to imagine a more successful festival on any level than this year's Montreal international jazz festival. Held earlier this month, it not only attracted street crowds estimated at 1.3m, but it also showed how a musical form that originated with black performers in the southern US has gone on to influence a variety of styles.

The festival was a tribute to the diversity of jazz, ranging from the blues and boogie riffs of John Lee Hooker, the soaring tenor sax of Sonny Rollins and the guitar wizardry of Al Dimeola, to the Sinatra-like vocals and arrangements of John Pizzarelli and the piano of Oliver Jones and Paul Bley. It also stretched musical boundaries, to include hard rock (the Jeff Healey band) and world beat (King Sunny Ade).

There were indoor performances at the Place des Arts, the concert hall where Charles Dutoit and the Montreal Symphony Orchestra traditionally *hold court*, while several streets in the centre were closed to accommodate massive crowds at free evening concerts.

Festival founders André Menard and Alain Simard deserve much of the credit for laying on such a musical outpouring in Montreal, a city which had a rich jazz and blues history in the 40s and 50s.

The performances themselves testified to the organisers' ability to attract some of the top artists from across the jazz spectrum. Montreal jazz audiences are noted for their sophistication, so the musicians enjoy the venue as a place where they can reach the true aficionado.

Heading the festival was the much-heralded appearance of John Lee Hooker, marking a stop on what the black boogie master has described "as my last tour".

At the age of 74, Hooker's guitar work has slowed to a brief series of nasty riffs, but his voice has not deserted him. Stepping on stage in dark sunglasses and a 'thirties-style hat, Hooker sang and played a number of classic tunes. Most remarkable was a version of "Crawling Kingsnake" that revived memories of the ageing bluesman's powerful legacy. "There's not a lot of us left," said Hooker, acknowledging that most of the great performers of his era - John Coltrane and Thelonius Monk, for example - have been dead for many years.

Hooker's set was preceded by a lively session from Charles Brown, a marvellous piano player who has laboured largely in obscurity over the years. Although he is only four years younger than Hooker, Brown's piano playing was impressively animated and his singing just as outstanding. Brown and his four-piece band tore through a series of blues, jazz and boogie selections that left the audience, almost all of whom had come to hear Hooker, begging for more.

Not as inspired however was the concert given by Branford Marsalis (brother of the much-deified Wynton), which had none of the energy and rapport with the crowd that the much older Brown and Hooker were able to generate. Without question, Marsalis is a virtuoso saxophonist, yet his Montreal session lacked the electricity his reputation might have suggested. This jazzman was simply too cool.

One of the great discoveries of the festival was John Pizzarelli, who played nightly at the Club Soda, a 300-seat venue whose intimate surroundings perfectly suited the ebullient lounge-lizard charisma of Pizzarelli. The 32-year-old American performed with the effortless grace of a Sinatra and moved through classic tunes such as "My Baby Just Cares for Me", "My Blue Heaven", and "The More I See You", with such poise that one felt thrown back to an earlier era of big bands, bobby-soxers, and the crooners of yesterday.

***Pizzarelli's shows were sold out* continuously through the festival, and local reviewers were wildly enthusiastic about his musical grace and abundant charm. His father was Bucky Pizzarelli, a noted guitarist who played with Benny Goodman and whose living-room guests often *included Joe Pass, Zoot Sims, and Les* Paul. "I grew up with 40s music in the house, so it just became a part of me," said the younger Pizzarelli.**

Other highlights of the festival included the magnificent improvisational sets of Montreal-born pianist Paul Bley, George Benson's smooth guitar set, and a hellish session from Sonny Rollins, generally acknowledged as the finest tenor sax player of his generation.

Rollins' eerie intensity enthralled the sold-out hall, many of whose spectators had waited to hear Rollins again three years after his last performance at the festival. It takes a musician of Rollins' rare genius to show that music can reach new levels of mood and meaning when played with such hypnotic touch. Every festival needs an artist of this dimension, and the Montreal event, as on every other count, did not disappoint.

Harold von Kursk

South African Theatre

Playland

ATHOL Fugard's latest work commends the talking cure for political violence. Topicality gives edge to Fugard's moral earnestness, and the earnestness gives the piece momentum.

Playland is a strong, static dramatic image rather than a drama. It's an image of the South African hell – a vessel overloaded with corpses. The image of hell realised on stage by Fugard and his talented designer, Susan Hilferty, is a travelling funfair on a hot New Year's Eve in the small Karoo desert town of Cradock.

The stage is dominated by the curving, glaringly lit skeletons of big wheels and roller-coasters; the barking loudspeaker's injunctions to have a good time; acrid smoke from a superfluous brazier; and the inanities of Sixties rock'n'roll. It is a setting of infernal banality in flaming oranges and faded Noddyland primary colours.

Playland is a confrontation between two characters, one white and one black. Martinus Zoeloe, a Xhosa nightwatchman, is played by John Kani, who has worked with Fugard since the 1960s. A stocky, forceful actor, Sean Taylor, plays the shell-shocked veteran of the Namibia war, Gideon le Roux.

The play begins with Martinus threatening offstage crooks with the fires of hell and their derisive laughter. One of the debates between the two characters is about the hereafter, with Le Roux denying all but the here and now and Zoeloe all but the hereafter. Both positions, it emerges, have less to do with faith than the need to evade guilt for past acts of violence.

Martinus killed a white seducer of his wife, Le Roux participated in border massacres: both are haunted by the memories and both their lives are paralysed by guilt and anger. Each presses the other to open up: much of the play's action is the process of negotiation, back-off and attack which eventually leads to the recognition that, in being haunted by ghosts, they have become citizens of limbo, and thence to forgiveness.

The play has the dramatic deficiencies of allegory – particularly a disregard for improbability. And its operating assumption is peculiarly Fugardian – that stage characters will necessarily participate in joint therapy because they are bound in a blood knot of violence, anger and guilt.

Yet, the play is resonant because the two performances give a degree of realism to the allegory, with Kani's performance an ornate assembly of sour-mouthed silences, hell-fire sermonising and sardonic laughter, and Taylor's based on violent shifts between hyperactivity and tearfulness.

Robert Greig

Playland is at the Market Theatre, Johannesburg

INTERNATIONAL ARTS GUIDE

■ BARCELONA

Leading Spanish opera stars, including Domingo, Berganza, Carreras and Caballe, will take part in the opening concert of the Olympics on Sat.

The Gran Teatre del Liceu has drawn up a special Olympics programme, beginning on Sun with an evening of traditional Catalan dance.

Next Mon: Uwe Mund conducts the Orchestra of the Liceu in works by living Catalan composers. Tue: Cecilia Bartoli recital.

Other artists appearing in the Olympic season, which runs till Aug 8, are Giacomo Aragall, Marilyn Horne, Arleen Auger and the Spanish National Ballet (Rambla dels Caputxins 61, tel 412 3532).

■ BRUGES

EARLY MUSIC FESTIVAL

The festival opens on Saturday with a programme entitled The Way to Bach, with music by Scheidt, Schutz and Monteverdi played by the Ex Tempore Ensemble. On Sunday, Bartold Kuijken and Gustav Leonhardt play music for transverse flute and harpsichord.

Monday's concert by Catherine Bott and the New London Consort features music from the Spanish court in 1492. Joshua Rifkin and Stephen Varcoe take part in an evening of Bach cantatas next Tue, and Peter Philips directs the Tallis Scholars in a programme on July 30 entitled Music in the days of Christopher Columbus.

Other festival events include a series of lunchtime concerts entitled Virtuoso music for strings, and an exhibition of old musical instruments and scores at the Belfry halls.

The festival ends on Aug 8 with Bach's B minor Mass (information and booking: Tourist Office, Burg 11, 8000 Bruges. Tel 50-448686).

■ LONDON

Covent Garden 19.30 Royal Ballet in Kenneth MacMillan's production of Romeo and Juliet (Lesley Collier), repeated tomorrow and Sat with Sylvie Guillem. Fri: triple bill (071-240 1066).

Fri at **Royal Festival Hall:** opening of month-long season with English National Ballet (071-928 8800).

Coliseum 19.30 Alvin Ailey American Dance Theater in choreographies by Ailey, McKayle and Bird. Season runs till Aug 1 (071-240 5258).

South Bank Centre 19.45 Spirit of the Earth: traditional music and dance from Venezuela. Tomorrow's programme features Buddhist music from China. Fri: spiritual music of Iran. Sat: Indonesia (071-928 8800). Fri in **Barbican:** The King's Singers. Sat: Academy of St Martin in the Fields (071-638 8891).

Royal Albert Hall 19.00 Yan Pascal Tortelier conducts the BBC Philharmonic Orchestra in works by Ravel, Dutilleux and Saint-Saens. Followed at 22.00 by a Villa-Lobos concert with the BBC Singers directed by Odaline de la Martinez. Tomorrow: John Lill plays Beethoven's Fifth Piano Concerto. Fri and Sat: Cleveland Orchestra (071-823 9998).

■ NEW YORK

THEATRE

● Jake's Women: Alan Alda is at his genial best in Neil Simon's new play about a writer trying to come to terms with the women in his life, past and present (Neil Simon, 250 West 52nd, 307 4100).

● Jelly's Last Jam: an unsparing look at the life of early jazz legend Jelly Roll Morton (Virginia, 245 West 52nd St, 239 6200).

● Conversations With My Father: Herb Gardner's bitter-sweet memory play about a Lower East Side barkeeper, his two sons and the patrons of his tavern (Royale, 242 West 45th St, 239 6200).

● Five Guys Named Moe: the guys are black dancers and singers who perform the songs of the late Louis Jordan (Eugene O'Neill, 230 West 49th St, 239 6200).

● Ticketmaster answers inquiries and sells tickets for Broadway shows (307 4100) and rock/pop concerts (307 7171).

MUSIC

Avery Fisher Hall 20.00 Mostly Mozart: Gerard Schwarz conducts the Festival Orchestra, with Andre Watts piano soloist. Fri and Sat: Rudolf Firkusny and Lynn Harrell (875 5030).

New York State Theater 20.00 Guido Ajmone-Marsan conducts Nicholas Muni's production of La traviata, with Gail Dobish, also Sat. Fri: Cav and Pag. Sun: La boheme (870 5570).

● Lincoln Center's annual series of classical jazz concerts runs from July 31 to Aug 8 at **Alice Tully Hall.** Under the artistic direction of Wynton Marsalis, the concerts will feature music of New Orleans clarinet legend Johnny Dodds, an evening of music by McCoy Tyner and the annual presentation of the Lincoln Center Jazz Orchestra playing the music of Duke Ellington. Other featured artists include Frank Wess, Ron Carter, Todd Williams and Kenny Washington (875 5050).

■ PARIS

Opera Bastille 19.30 Swan Lake: Ballet de l'Opera de Paris in a new production of Vladimir Bourmeister's 1960 choreography. Daily till Sat (4473 1300).

● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898.

■ PRAGUE

A summer season of concerts has been organised in the city's historic buildings and gardens. Tonight in **Wallenstein Garden:** Wind Harmony Barrandeum in a programme of works by Rossini, Orff, Dvorak and others. Tomorrow afternoon at **Church of Maria Virgin of Snow:** recital of sacred songs by Jirina Markova, including works by Bach, Mozart, Petr Eben and Pergolesi.

Tomorrow evening in **South Garden of Prague Castle:** Czech Wind Quintet in works by Mozart and Czech baroque composers.

Sat in Lobkovic Palais at **Prague Castle:** cello and harp recital by Miroslav Petras and Magdalena Simeckova. Mon: classical guitar concert. Advance booking at the **Smetana Hall** (u Prasne brany 2, 232 5858).

● For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38 in the passage, 228714).

■ ROME

TERME DI CARACALLA

Tonight's performance is Turandot with Ghena Dimitrova. Tomorrow, Sat and next Wed: Il barbiere di Siviglia with Cecilia Gasdia, Rockwell Blake, Leo Nucci and Ruggero Raimondi. July 30: first of nine performances of Aida, with Aprile Millo (488 3641).

■ SIENA

The Accademia Musicale Chigiana marks the Rossini bicentenary with two little-known early operas: Edipo Coloneo (tomorrow and Sun) and Ivanhoe (next Wed), the latter conducted by Peter Maag with a cast including Tiziana Fabbricini. Fri and Sat: pupils of the academy perform a Rossini programme (577-46152).

■ VIENNA

OPERA

The Kammeroper presents its production of Don Giovanni every Wed, Fri and Sat in the **Imperial Gardens of Schonbrunn Palace.** Performances begin at 20.30. The cast is headed by Danish baritone Boje Skovhus (512 0100).

CONCERTS

Herbert Mogg conducts tonight's Arkadenhof concert of Viennese operetta favourites with the South-West German Radio Orchestra and vocal soloists. Stanislav Macura conducts the Moravian Philharmonic Orchestra in works by Smetana, Gatscha and Falla tonight in the Konzerthaus, with an alternative programme tomorrow. Sat in **University Church:** Mozart's Mass in C. Sat at Schonbrunn: Vienna Piano Trio plays Mozart, Debussy and Brahms (4000 8410).

THEATRE

Vienna's **English Theatre** (Josefsgasse 12) has performances of Run for your Wife, daily except Sun (402 1260).

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Wednesday July 22 1992

A German role in world peace

THE COLD war has ended, but the German navy is being asked to dip its toe into the warm – perhaps hot – waters of the Adriatic. The German parliament is being recalled from recess today to debate last week's decision by the centre-right coalition to send a destroyer and three reconnaissance aircraft to join allied warships monitoring the UN trade embargo of Serbia and Montenegro. The opposition Social Democrats have claimed that the move may infringe Germany's Basic Law. Some SPD leaders threaten to call in the constitutional court to try to block the action – a move which could help by resolving juridical uncertainties on the issue.

Beyond the Bonn bickering lie central questions about united Germany's role in world affairs. Although putting up a solid contribution to Nato defence during *40 years of division, Germany has* been firmly inscribed on the list of international non-combatants. Now that it has regained sovereignty, the country is struggling to find a consensus on the conditions for using the Bundeswehr for peace operations outside the Nato area. Today's debate marks a significant step towards establishing that consensus. By declaring a readiness to put its defence resources at the service of the international community, whether in the context of the United Nations, Nato or the Western European Union, Europe's strongest economic power has a duty to live up to its new responsibilities.

During last year's war with Iraq, when Germany was heavily criticised for initial hesitancy in supporting the UN-led coalition, Chancellor Helmut Kohl said it was unacceptable for Germany permanently to absent itself from international efforts to secure peace. It is now time for Mr Kohl firmly to register that commitment, even though it may add to his political difficulties at home. Greater clarity on out-of-area Bundeswehr deployment would also iron out inconsistencies in Germany's post-unification foreign policies, which – above all over recognising Croatia last year – have sometimes been driven more by moral crusading than practical considerations.

There is a need for Germany to frame its military role in the spirit of partnership. Ultimately, however, it will be up to the Germans to decide what sort of military power they want to be. If the international community still does not want a German policeman on permanent patrol in the world's trouble spots, then it may be a consolation that the German public, too, does not like the idea.

Two-thirds of the German population, according to opinion polls, back the use of German troops as UN peace-keepers. But there are deep misgivings, expressed above all by the Social Democrats, about Mr Kohl's desire to change the 1949 constitution to permit further-reaching Bundeswehr participation, in actions backed, for instance, by the WEU. Since he needs a two-thirds Bundestag majority for a constitutional change, Mr Kohl must convince the SPD that his way is best.

Commenting on the *impasse* over the outside use of the Bundeswehr, Mr Klaus Kinkel, Germany's new foreign minister, has recently termed his country an "impotent dwarf". An international framework is now available for the dwarf to put on a little muscle. Germany should be encouraged to take advantage of the opportunity. And the rest of the world should welcome it.

Transport in Docklands

RARELY HAS a UK government agonised so long and hard about an apparently simple question. But where to relocate 2,000 Department of the Environment civil servants will ultimately be decided by Downing Street, after scrutiny by a special sub-committee containing five Cabinet ministers.

Two years ago, in its enthusiasm for private sector funding of infrastructure projects, the government persuaded Olympia & York, creators of the biggest development in London's Docklands, Canary Wharf, to contribute £400m to the £1.7bn cost of extending the Jubilee line into east London. Since the value of Canary Wharf would rise if it were linked to central London by underground, it seemed fair that the project's owners should help pay for the line. In fact, the £400m was to be staggered over many decades. If the payments were made in one lump, they would be worth only £160m-£170m.

In the event, Canary Wharf's capacity to pay even its modest contribution has been undermined by its financial difficulties. It is now in the control of administrators, who are under no legal obligation to make the contribution. Yet the Treasury has insisted there will be no Jubilee line if the sums are not paid in full.

The administrators acknowledge that Canary Wharf is more likely to re-emerge as a going concern if the line is built. But they feel they have only one source of funds for a first tranche of the payment: the government itself.

Two months ago, the government disclosed that it had chosen Docklands as the new home for officials of the Department of the Environment and that it had a short-list of three possible sites, including Canary Wharf. Thereupon the administrators offered either to sell a building to the government and afterwards remit the proceeds for the Jubilee line or lease the building, refinance it and again remit the proceeds.

In this way, what should have been a straightforward evaluation of the value for money offered by the three buildings has become embroiled in far bigger issues. A further complication is the government's fear that it will be accused of bailing out a friend, if it moves to Canary Wharf.

What must the government do?

First, whether or not to relocate civil servants must be kept separate from decisions about transport investment in London as a whole. Relocation of the civil servants seems to make sense, however, because of the low rent.

Second, whether or not a developer makes a modest contribution should not determine the line's fate. The government must, instead, do what has never been properly done: assess whether the benefits of the Jubilee line outweigh the costs.

Third, any evaluation must take account of the additional transportation that is on the way. By this time next year, the completion of a £1.65bn road-building programme will enable traffic to pour into the area. In addition, the Docklands Light Railway will have been converted into a mass transit system at a cost of £800m.

The government should make its decisions in the light of the future interests, first, of taxpayers at large and, second, of people who live or work in London, whose concerns also include the sensible long-term planning of the capital. All else – not least the prestige of those who promoted Docklands and the money sunk into it – should be disregarded.

Urban agencies

A ONE-STOP funding agency for urban regeneration is urgently needed. Its most important role would be to provide a single port of call for developers and local authorities who now deal with many different government bodies, departments and agencies. It must control the urban regeneration budget of almost £900m a year which is currently dispensed through a plethora of government initiatives.

The plans announced yesterday for a new Urban Regeneration Agency fall far short of what is needed. The URA will take over only £130m of the government's spending – leaving huge patronage under ministerial control. Rather than replacing existing agencies in the inner cities, it will add another. By modelling itself on the urban development corporations, it risks perpetuating the top-down approach, rather than encouraging local partnerships between the public and private sector. And it abandons the strategic approach adopted with City Challenge which emphasises the role played in urban regeneration by economic revival, training and housing. Without such strategic elements, the URA will be just another land development body rather than an urban development agency which can genuinely revive Britain's run-down and rebellious inner cities.

The government should rethink the URA idea, to create an agency accountable to parliament through ministers, but with clear and monitored targets. Such an agency could and should control most of the government's urban programme. Government should also encourage the URA to extend the strategic approach adopted in City Challenge more widely (minus the threat to withhold funds entirely). Merely creating another agency on top of the rest adds to the confusion and reduces cost-effectiveness.

Strains in the housing market and the government's need for funds are afflicting UK building societies, says **John Plender**

Uncertainty in a stable world

Britain's building societies emitted a collective sigh of relief when the government unexpectedly cut the rate of interest on its newest National Savings product, the First Option Bond, on Monday. A general increase in mortgage rates, which looked all too likely after Cheltenham & Gloucester raised its mortgage rate from 10¾ to 10.99 per cent late last week, has, on the face of it, been averted.

Yet the rejoicing may be premature. In spite of this temporary accommodation, the broader logic of the government's present fiscal and monetary policies is pushing in an unhelpful direction for borrowers; and the structure of the housing market is subject to unprecedented strain.

First, consider fiscal policy. As the chart implies, National Savings have been taking a rapidly growing share of the personal sector's nest egg, largely at the expense of the building societies. This reflects the Treasury's efforts to broaden its funding options in response to the dramatic deterioration in the public finances over the past three years. From a public sector debt repayment equivalent to 3 per cent of gross domestic product in 1988-89, the government has shifted to a borrowing requirement that is widely predicted to run at more than 5 per cent of GDP in the current year. On present policy UBS Phillips & Drew predicts a public sector borrowing requirement of 8-9 per cent of GDP by 1996, reflecting the impact of recession on government spending and tax revenues.

No matter that policy will have to adjust to pre-empt this untenable set of figures. In the absence of a remotely respectable economic recovery, and even allowing for a tough round of public spending cuts in the autumn, it is clear that the building societies and the Treasury will be on a collision course in the markets for the foreseeable future unless the government is prepared to raise taxes, which seems unlikely for the moment.

A confrontation could always be avoided as long as the government refrained from raising short-term funds aggressively in the retail savings market. Building society deposits are still just about competitive against short-dated gilt-edged stock. But since National Savings have been promoted more aggressively, savers have been presented with an opportunity to increase their return by forsaking building society deposits for government IOUs.

One of the longstanding certainties of the building society world was that retail deposits were stable. Yet the experience with First Option confirms that they become a great deal less stable if the government is offering an attractive alternative. Just as US retail savers have exploited a positive yield curve, in which bonds and equities offer a much higher income than short-term bank deposits, by removing their money from the banking system, British savers are demon*strating their sophistication, not for* the first time, by abandoning the building societies.

The stability of retail deposits increasingly hinges on price, which is another way of saying that they are not that stable; and in today's circumstances the building societies are obliged to dance to the Treasury's interest rate tune. The move to reduce the interest rate on First Option from 10.34 to 9.67 per cent on Monday will help curb the outflow from the societies' coffers for now. But the longer-term problem remains, not least because the initial interest rate on First Option was broadly in line with market rates.

Nor will the current debate on overfunding the PSBR do anything to help the building societies' plight. City economists, including Mr Tim Congdon of Lombard Street Research and Mr Roger Bootle of Midland Montagu, are urging the government to abandon the so-called full funding rule, whereby the PSBR, together with maturing debt and any increase in the reserves, is fully funded by sales of debt outside the banking and building society sectors. The case for such a move is that it would expand broad money and stimulate the economy by leading to lower long-term interest rates and higher equity prices. At the same time it would *help stabilise sterling* and reduce long-run funding costs, if the government really believes in its own disinflationary policies, by shifting the debt burden from the long to the short end of the gilts market.

The argument is compelling, which means trouble for the building societies because short-term rates, which matter most to them, would rise relative to long rates. For the moment politics have prevailed over economics. But a departure from the full funding principle in due course would lead to more upward pressure on mortgage rates in the absence of a monetary *deus ex machina*. None is in prospect. The Bundesbank, which raised its discount rate last week in response to continuing post-unification inflationary pressures in the German economy, is reluctant to contemplate a significant decline in German interest rates as long as the large fiscal deficit persists, which it threatens to do into the mid-1990s.

All this gives rise to a more fundamental question. Do current mortgage rates adequately discount the risk in a housing market that has become much more volatile than in the past? A 10¾ per cent mortgage rate is around one and a half percentage points higher than the risk-free redemption yield on a medium-dated gilt-edged stock that matures in seven years – the life of the *average mortgage*.

That looks a very slender margin in a business heavily biased towards a single market where prices in some parts of the country have fallen by 25 to 30 per cent. It looks doubly slender, bearing in mind that it takes a fall of no more than 5.6 per cent in the balance sheet value of the top 20 building societies' commercial assets to wipe out their reserves, known as "tier one" capital.

The widespread view is nonetheless that building societies are well capitalised on a risk-weighted basis, still profitable, and well capable of meeting the ratios demanded by the regulators. An analysis of the build*ing societies'* sensitivity to bad debts by Mr John Wriglesworth, of UBS Phillips & Drew, suggests that even on a worst-case assumption of a 20 per cent fall in house prices and a 200 per cent increase in bad debt provisions for 1992, the top 20 societies would have no difficulty complying with their capital adequacy requirements. But could the risk-weighting in the capital adequacy regime, which puts a weight of 0.5 on residential mortgages, compared with 0.1 for short gilts and 1.0 for other types of lending, reflect an outdated view of the housing market and of building society profitability?

Arguably not, given that much of *the credit risk in housing finance* has leaked into the insurance sector via mortgage indemnity policies. Yet here lies the next big hurdle for the housing market and the societies. Over the past four years bad debt provisions of all the building societies, including Abbey National which has converted to banking status, have risen from £25m to £1.2bn. Because insurance companies were meeting around three-quarters of the societies' losses in the first three of those years, the societies enjoyed substantial protection.

Yet Mr Simon Adamson of the bank rating agency, IBCA, has estimated that the building societies' share of the losses jumped to 44 per cent in 1991. *In other words they* were selling repossessed houses at well below the level of their insurance cover. The further prices fall – and they are down by more than 5 per cent so far this year – the more exposed the societies become. But the insurance companies have no reason to cheer, since indemnity claims in 1991 were running at nearly four times the level of insurance premiums.

Not surprisingly, the insurance companies have concluded that providing cover for the top slice of a mortgage, typically 75 to 100 per cent of the purchase price, is a mug's game – especially if the insurance companies leave it to the building societies to assess the credit and sell the repossessed homes. They are now demanding tougher, and more or less uniform, terms from the building societies.

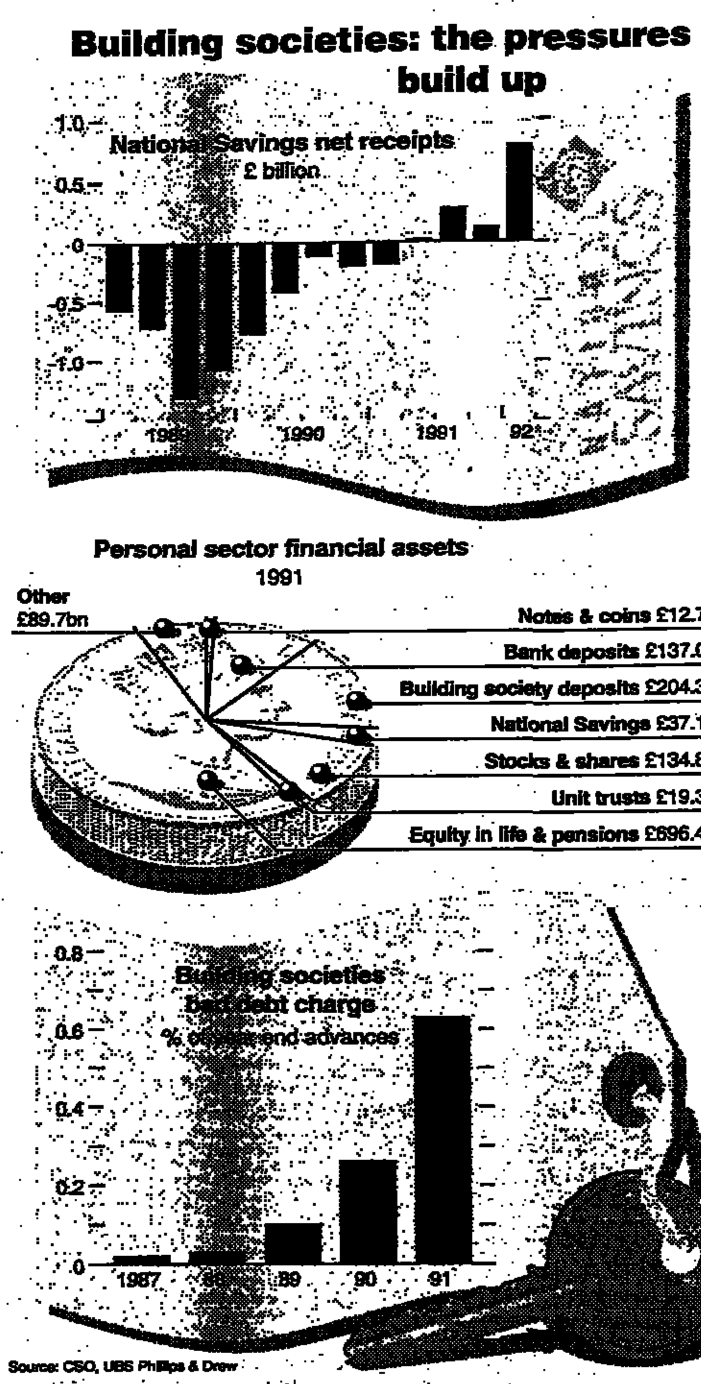
Instead of leaving the insurers with the top slice of the property value, the new deal involves the two parties taking a fixed share of the loss. The insurers are also asking for a range of exclusions to cover, *inter alia*, fraud and, more worryingly for the societies, negligence. And they are demanding access to building society records before meeting their claims. Since most mortgage indemnity policies are renewed at the end of August, this time bomb carries a short fuse.

For the building societies, the insurance companies' proposal would materially increase the risks that they bear. Already one small society, Lambeth, has said that it will be reducing the percentage of value that it is prepared to lend to home buyers. The impact on an already groggy housing market if others follow suit is potentially powerful, given that first-time buyers could be forced to save more over a lengthier period for a larger deposit on a home.

Coming just after the government's temporary stamp duty exemption runs out, this will create despair in the estate agency fraternity. It will also worry the government, because of the implied change in savings behaviour. The sluggishness of consumer spending, and the related failure of the economic recovery to materialise, owes much to the inexorable rise in the household savings ratio. The last thing the government needs now is an outbreak of prudence on the part of first-time buyers.

The Building Societies Association is doing its best to head off the threat, by hiring consulting actuaries Bacon & Woodrow to examine alternatives to the insurance companies' proposition. According to Mr Adrian Coles of the association, the options they have been asked to examine include self-insurance and captive insurance. But whatever Bacon & Woodrow suggests, it is hard to escape the conclusion that credit risk has increased and that lending terms to first-time buyers *will in the end have to reflect that* fact.

The all too obvious way out of this fiscal and financial box is the inflationary route that Mr John Major, the prime minister, so firmly ruled out in his anti-devaluation speech on Monday. Yet the simultaneous move to relieve pressure on the building societies' deposit base carried an echo of the old inflationary days. Once again, borrowers were being favoured at the expense of savers. It looked suspiciously like a straw in the wind.

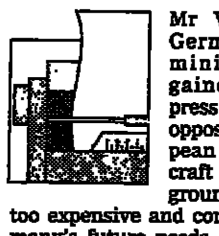


Source: CSO, UBS Phillips & Drew

PERSONAL VIEW

Snare of the Hunter

By Trevor Taylor



Mr Volker Rühe, German defence minister, has gained massive press attention by opposing the European Fighter Aircraft (EFA) on the grounds that it is too expensive and complex for Germany's future needs. Germany has refused to commit funds for the production stage and Mr Rühe has called for a lighter and cheaper aircraft to be developed. He has seemingly calculated that his personal popularity and ambitions to be chancellor will be boosted. However, he has also shown signs either of understanding little of the complexities, realities and inflexibilities of defence procurement, or of having a hidden agenda involving a political preference for a French or US aircraft.

Significantly, some considerations indicate that his initiative could backfire and that EFA could seriously damage his career. The worst thing for Mr Rühe would be for the three other partners (Britain, Italy and Spain) to press on with the project, complete development and go into production. Germany would be obliged to complete its share of development at a cost of at least a further £1bn. Although the German obligation is technically not legal, since it is based on a memorandum of understanding rather than a treaty, it is almost unthinkable that Germany could abandon its commitment unilaterally. German credibility in all fields would be damaged. In addition, Germany would be obliged to hand over, without payment, the technology involved so the remaining partners could manufacture the aircraft themselves. The partners could decide to contract some production to German companies, if price gains could be won, but there would be no guarantees of work for Germany which would then have spent more than £2bn to subsidise someone else's aircraft while leaving its own combat aircraft industry, built up since the 1950s, in disarray. Could any politician survive such an abuse of his country's resources and interests?

By 1997, as Mr Rühe accepts, Germany will need to order a replacement for its F-4 Phantoms and, given the aircraft available from the US, France and Russia, EFA seems likely to offer the best value for money. Both the Luftwaffe and a German parliamentary committee have compared EFA with its potential rivals: the Luftwaffe has always found in EFA's favour and the parliamentary committee has not recommended an alternative.

Crucial elements in all this are the agreements in the 1980s establishing the EFA programme. They were meant to give the four governments collectively the opportunity to stop the programme at any of a series of stages if they felt it was going out of control, particularly in financial terms. But they were also designed to discourage a country from damaging the project by withdrawing unilaterally in the middle of a stage, as Mr Rühe would like to do.

This is why Mr Rühe has not said firmly that Germany is withdrawing and he has argued for an alternative collaborative project to replace EFA. However, it is almost impossible to see how a new aircraft could be cheaper since £4bn or so has already been committed. While Mr Rühe may argue politically for a lighter, cheaper aircraft, few in the German air force or industry agree with him. Thus he will find it hard to produce hard technical arguments to reinforce his case. For instance, a lighter aircraft would not need the two EJ200 engines developed for EFA while a single EJ200 would not be adequate for other than a very light combat aircraft. A new, larger engine would therefore be needed. A new airframe would require a different fly-by-wire control system as well as further expensive tests. Moreover, the controlled technological ambitions of EFA have helped its development costs to stay within budget. In contrast, the latest US fighter development programme, the F-22, incorporates expensive "stealth" and supersonic cruise technologies.

Of course, EFA is far from safe because both Italy and Spain have financial problems and the UK chancellor is believed to have some reservations about this project. In this situation, there is merit in the UK's approach of continuing to talk to Germany and pressing industry to bring down further the acquisition price and life cycle maintenance costs. Further savings would be possible by cutting the number of planned assembly lines from four to two.

As such considerations are brought home in the coming months, Mr Rühe may appreciate a chance to pretend he has negotiated a new aircraft. Technically, given that the airframe, engine and fly-by-wire controls cannot be easily changed, a lower specification for the avionics would be the obvious way to symbolise that Germany was going to buy a less capable aircraft than it had planned during the cold war. Mr Rühe will also want a new name for the Jäger 90, as EFA is called in Germany. Something less aggressive than Hunter 90 would be helpful.

The author is head of the International Security Programme, Royal Institute of International Affairs.

PINK
Thomas Pink
SHIRTMAKER
THOMAS PINK
SHIRTMAKER LONDON

SHIRTS
Thomas Pink
Summer Sale
Now On

Saturday, 18th – Saturday, 25th July

"The place to buy shirts in London today is Thomas Pink in Dover Street" - THE TIMES
"Beautifully made" - DAILY TELEGRAPH
"Exceptional value" - FINANCIAL TIMES

	Were	NOW
Red Label (Pure cotton poplin)	£29.50	£25
Blue Label (Button-down collars)	£34.50	£29.50
Black Label (Two-fold poplin)	£39.50	£25-£35

35 Dover Street, W1 071-493 6775
16 Blomfield Street, EC2. 071-374 2800
16 Cullum Street, EC3. 071-929 1405
Drayton Gardens, SW10. 071-373 5795
32 Castle St. Edinburgh. 031-220 4572

Edward Mortimer

The real issue in Iraq

FOREIGN AFFAIRS

Any new military action against Saddam Hussein must be part of a political strategy

"Saddam is staying for ever," chanted thousands of Iraqi demonstrators who marched past the UN inspection team outside the agriculture ministry in Baghdad on Monday. The Ba'ath party organisers who coined that slogan understood correctly what the real issue in Iraq is.

Not that the weapons programmes which the UN team is investigating are unimportant. The thought that Iraq is probably still producing and developing weapons of mass destruction is deeply worrying, and the Security Council is right to take a serious view of the regime's continued prevarication on that issue.

Moreover, its refusal to co-operate with the UN inspectors is a clear breach of the ceasefire terms enshrined in Security Council resolution 687, and therefore provides member states with legal justification for any action, including military action, that they may decide to take in response.

But the crisis over the UN inspection team is only part of a broader crisis in which the issue is the continuance of President Saddam Hussein's regime; and his refusal to admit the team to the agriculture ministry is only one of a number of recent defiant gestures towards the UN:

- He has rejected UN terms for limited sales of Iraqi oil to finance imports of food and medicine.
- He has failed to renew the memorandum of understanding with the UN under which international humanitarian agencies are working in Iraq.
- He has stepped up harassment of UN and other agency staff, using agents to throw grenades or place car bombs in the northern Kurdish area which allied air cover has put outside his direct control.
- He has withdrawn his representatives from the UN commission which is tracing the Iraq-Kuwait frontier.
- He has continued military operations against Shia refugees in the marshes north of Basra. As well as constant shelling, these operations include the deliberate pollution of the marshes with containerised sewage, and preparations to drain them with a view to bringing in armoured vehicles.
- Since an Iranian air attack on the base inside Iraq of an Iranian opposition group in early April, the Iraqi air force has resumed flights by fixed-wing aircraft – another breach of the ceasefire terms.

There are two interpretations of this behaviour. The gloomy one is that Mr Saddam feels increasingly confident about his hold on power, and therefore able to defy the UN with impunity. The optimistic one is that his defiance is a desperate attempt to overawe an increasingly restive population which sees his authority gradually weakening, and to restore the morale of his supporters and subordinates. Probably both are partly true.

There is plenty of evidence that sanctions are biting, and the fact that Mr Saddam's writ does not run in the north of the country, while some Shia resistance continues in the marshes, must tend to undermine his authority in the rest of it. But he probably also calculates that another serious international effort to deal with him is unlikely.

> **The objective must be the extension of the 'safe haven' to include the whole country**

There are many good reasons for not wanting Mr Saddam to get away with it, ranging from the welfare of the Iraqi people through the stability and security of the Middle East to the global interest in stopping the spread of weapons of mass destruction. But those who do not want him to get away with it, including the governments of Britain, France and the US, need a clearer strategy for dealing with him.

Their policy since the ceasefire on February 28 last year has been too reactive. After failing to support the March insurrection in both north and south, at a moment when the regime was reeling from its defeat in the war and might easily have disintegrated, they intervened in extremis, and under strong pressure from public opinion, to secure a "safe haven" for the Kurds in the north, while the unfortunate Shias in the south, being largely out of sight of TV cameras, were left to their fate.

The Security Council did pass resolution 688, urging the regime to desist from repression throughout Iraq and to co-operate with UN humanitarian agencies, and instructing the secretary-general to monitor compliance and report back. But that resolution, unlike those concerned with the Gulf war and the ceasefire, has no coercive force unless or until it is backed up with further resolutions aimed at enforcing it.

To get a majority for such resolutions might be difficult, given the direct interference in Iraq's "internal affairs" that would be involved; but not necessarily impossible if the US exercised the leverage over other member states of which it has shown itself capable when it wants something badly enough. Anyway, in the Kurdish case the western powers did not trouble themselves with legal arguments: they simply acted.

More action is needed now. It would be tragic if it took the form of bombing raids, aimed presumably at targets believed to be connected with Iraq's weapons programme, but with no strategic aim other than to demonstrate western governments' displeasure and so make them "feel better". Instead, any military action should be part of a political strategy whose clear aim would be the deposition of Mr Saddam and his replacement with a regime chosen by the Iraqi people.

The relative success of the "safe haven" in the north shows that air power can be used effectively to undermine the regime's authority by interdicting its use of military force for the purposes of repression. The danger of that tactic as used so far is that it has created a quasi-independent Kurdish state, contrary to the declared aim of all the governments concerned to respect Iraq's territorial integrity.

Luckily, the Kurdish leadership has realised the risks involved. Although free elections held in Kurdistan in May gave it an unquestionable authority and legitimacy, it did not use them to declare independence, but instead sent representatives to the Iraqi National Congress, held in Vienna last month, which "endorsed the total equality of all citizens including the people of Iraqi Kurdistan, recognising their right to self-determination *short of secession* [my italics] and within a unitary Iraqi state".

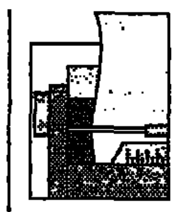
The two main Kurdish leaders, Mr Masoud Barzani and Mr Jalal Talabani, are expected to form a pan-Iraqi delegation, with two Shia and two Sunni Arabs, to meet Mr James Baker in Washington next week. His willingness to receive them is an important signal that the US supports a democratic alternative for the whole of Iraq, and not only for Kurdistan. He should follow it up by promising to support a provisional Iraqi government, based initially in the north, and to help it expand its authority southward by using air power to neutralise any armed forces that Mr Saddam tries to use against it.

The ultimate objective must be the extension of the "safe haven" until it includes the whole country. Meanwhile, it should be clearly recognised that the target of sanctions is not the Iraqi people but Mr Saddam's regime. The present absurdity of applying the sanctions to the "safe haven" which the allies themselves created should be ended at once.

PERSONAL VIEW

Credibility gap in policy

By Sir Kit McMahon



Many people are sadly puzzled that there is still no sign of economic recovery. It is right to be sad, but wrong to be puzzled. Why on earth should we expect recovery on present policies?

Has there ever been a serious and sustained recovery (ie: a return by the economy to its underlying growth path) with real short-term interest rates maintained at more than 6 per cent? It is hard to find precedents. In the balmy decades of zero to 2 per cent inflation, a bank rate of 6-8 per cent was regarded as a crisis measure – not one to be maintained for years at a time.

There is one apparent precedent: the mid-1980s recovery from the last recession when real interest rates, although not as high as now, ranged from 3-5 per cent in the years 1982-84, rising further as expansion gathered pace in 1985 and 1986. Some may feel encouraged by this, arguing that then, as now, policy was driven by the need to crack down on inflation and inflationary expectations; and that as these duly fell, a strong and sustained recovery took place – the only problem being that it was too sustained.

The precedent, however, is misleading. The initial policy shock was administered by means of a tight fiscal policy, a high exchange rate and (initially) low real interest rates, imposed on an economy that was relatively *under*-borrowed (1980 registered the peak post-war personal savings rate of 16.5 per cent).

Recovery from the recession was driven by two forces not in prospect now: a sharp fall in the exchange rate (13 per cent between 1982 and 1984) and a massive expansion of credit throughout the period associated with financial deregulation. (Deregulation was seen as a supply-side measure at the time, but no less an authority than Nigel Lawson has recently drawn attention to the substantial and significantly underestimated effects on demand.)

This time round, the authorities have for three years been working to curb the inflationary excesses of a seriously over-borrowed economy with high real interest rates, a loose fiscal policy and a fixed exchange rate. The excessive credit expansion of the 1980s is being unwound with a vengeance, but will continue, as the infernal machine of compound interest takes its toll, to exert a downward pressure on the economy for some time to come.

Sir Kit: 'Way out likely to be messy and embarrassing'

A man from Mars would find our official policy stance surprising. So indeed might a man from the United States, where, confronted by a similar hangover from a credit boom and although stuck with gigantic fiscal deficits, the authorities have acted in a classically appropriate way by dropping interest rates and letting the exchange rate fall. They are being rewarded by some recovery, although the slowness and apparent fragility of this testify to the dragging power of debt deflation, even when it is being tackled appropriately.

Why then is the British economy being put through this particularly painful wringer? The first answer is, as it was in the early 1980s, to squeeze inflation out of the system. If, because inflationary expectations are so stubbornly embedded in the UK, it is necessary to produce a deep and long-lasting recession to get retail price expectations down from say 4-5 per cent to 2 per cent, then so be it. As the years go by and the damage mounts, one might query whether this game is worth the candle. But if it is, the situation cries out for tight fiscal policy – another "Howe" Budget (with savage expenditure cuts, tax increases or whatever was necessary) to allow interest rates to drop.

But of course the main reason given for maintaining interest rates at current levels is our membership of the exchange rate mechanism of the European Monetary System. It is true that the maintenance of our present ERM parity is not consistent with the substantial (at least 2-3 per cent) drop in interest rates that we need. And we are told that a devaluation within the ERM, let alone allowing sterling to float for a period, would produce a blow to confidence and a loss of official credibility that would be quite unacceptable.

Our situation is so serious that there is unlikely to be any way out of it that is not messy, embarrassing and risky; and does not involve eating a lot of official words. But, having entered the ERM, after 11 years' delay, at the wrong time, at the wrong rate and in the wrong manner, must we really regard the indefinite maintenance of the parity then chosen as the ultimate touchstone of political and economic credibility?

For one thing, we shall not be able to hold the present exchange rate for ever. By the end of this year we shall have notched up a cumulative deficit of £70bn since 1987 (and a net deficit of £50bn since North Sea oil first arrived). If and when the economy recovers the deficit will expand beyond its rate of £10bn a year. Of course, no one can say how long this deterioration in our balance sheet, with its cumulative effect on our invisible earnings, can go on. Maybe for years. But this tree will not grow to the sky.

Commitments to an exchange rate are meant to be difficult to abandon: that is their purpose as a policy tool. But they are not meant to be *impossible* to abandon until there is a single currency. The way towards a single currency lies through a serious and sustained integration of the economies concerned, not through gestures which can be widely seen to have inappropriate economic consequences. (If by historical accident we had not yet joined the ERM, who can doubt that our interest rates would be lower?)

The recently ended series of optimistic forecasts from the chancellor, each falsified in turn, indicates that the government itself did not expect or will the effects on the economy that we are suffering.

For the moment, however, we cannot expect a serious shift towards tight fiscal policy, lower interest rates and a lower exchange rate. It is more than 20 years since the UK has operated in a fixed exchange rate regime, and many people have forgotten, or never knew, the paralysis which that is apt to produce in British policy-making. Serious action is unthinkable until it happens. In the meantime, activity will perhaps inch up as inflation inches down and that may be thought to be enough, at least during the British presidency of the European Community. But one day, something really will have to be done.

The author is the former chairman of Midland Bank and former deputy governor of the Bank of England.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Cash flow pressures on N Sea operators

From Dr Harold Hughes.

Sir, The innuendo at the conclusion of Ian Rutledge's letter (July 20), about the tax regime applying to offshore oil and gas activity, and the working relationship between oil companies and government, is misplaced. The North Sea is in world terms a high-cost operating province. Predictions of flat real international oil sterling prices, coupled with unit costs of work offshore that are now rising much faster than monetary inflation, are giving the UK offshore companies a thin time. Indeed some are experiencing negative cash flows for their current overall activities. Does Dr Rutledge believe in taxing negative cash flows?

A stable fiscal system is necessary to keep interest alive in the North Sea under such economic conditions, and this is certainly in the country's short- and long-term interest, especially from the aspect of the industry's substantial [£7.6bn per annum in 1991] contribution to GNP and to the UK's balance of payments position.

Nevertheless, marginal tax take on the larger, generally older, fields remains at some 86 per cent. The technological progress and business skills of the industry need the complement of a responsive tax regime to give confidence to companies when they contemplate continuing to extend their investment in the North Sea under the very tight economic returns it now offers. There are plenty of oil and gas *investment opportunities available* elsewhere in the world if the UK gets this wrong.

Harold W D Hughes,
director-general,
UK Offshore Operators Association,
3 Hans Crescent,
London SW1X 0LN

Shrinking savings 'cake' behind weak consumer spending

From Mr Chris Dillow.

Sir, The claim that building societies are losing deposits to National Savings is only part of the truth ("Building society lifts home loan rate", July 18). Taking the sum of inflows into building societies and National Savings together, the total in the first half of this year was £3.2bn, compared to £5.5bn in the same period last year. Therefore, the problem is not that National Savings are taking a bigger share of the savings "cake", but that the cake has shrunk. This is not due to people choosing instead to repay debt. Building society figures show that mortgage repayments in the first five months of this year were actually lower than last year.

Instead, the problem is that total individual savings (be they acquisitions of financial assets or repayments of debt) are extremely low. This does not show in personal savings data because these include the dividend income of life assurance and pension funds and employers contributions to such funds; such incomes are, in effect, "forced savings".

This low level of individuals' savings implies that the weakness of consumer spending is not due mainly to people being "scared to spend", but simply to the fact that real incomes (excluding pension funds' dividend incomes) have been falling as employment has fallen. It follows that lower interest rates are not the only means of stimulating spending. Any policy which boosts real income – such as increased public spending – will also do so.

Chris Dillow,
UK economist,
Nomura Research Institute Europe,
Nomura House,
London EC1A 4NP.

Train times running backwards

From Mr Chris Bushell.

Sir, Notwithstanding Inter-City director, Brian Scott's defence of extended journey times between Bristol Parkway and London (Letters, July 20), I know that commuters in several parts of Britain are wondering why some rush hour timings have been extended since the introduction of targets under the Passenger's Charter.

At my home station, Brockley, the average journey time of trains to London between 7am and 9am was increased in the May timetable from 9.1 minutes to 10.8 minutes. This is a rise of almost 20 per cent for this journey of 3¾ miles. I am not aware of any engineering works affecting this route.

To measure 70 years' progress, I looked up the same range of rush-hour trains in a 1922 Bradshaw timetable; the average journey time then was 10.2 minutes.

Chris Bushell,
editor,
Jane's Urban Transport Systems,
London SE14 1TF

Turkish Cypriots suffered

From Berin Lewis.

Sir, In your leader, "They must be stopped" (July 16), you talk of the failure of the international community to do anything to "prevent the ethnic cleansing" carried out by Turkey in Cyprus.

May I point out that the "large numbers of people forcibly driven from their homes and killed" were the Turkish Cypriots in the first instance, not the Greeks.

This "ethnic cleansing" was done while Turkey waited patiently for 14 years for the international community to do something about it, as "violence and ethnic cleansing" were not acceptable to Turkey either, only in this case it was not mere cleansing, but killing.

Berin Lewis,
PO Box 415,
Lefkosa,
Mersin 10,
Turkey

No not a maybe to leaving ERM

From Prof David Currie.

Sir, For the record, my answer to the question "Would leaving the ERM help Britain?" is an emphatic no, not a maybe as you report (July 18).

To leave would be to throw away the prize of inflation to be won from the pain of the last two years. Equally, a devaluation within the ERM would be a serious error, though there may be circumstances in the future (with inflation and government borrowing under control and an independent Bank of England) where a devaluation within the ERM would be less damaging.

The government has no alternative but to stick to its current policies: these offer the prospect, for the first time for a generation, of low and stable inflation. The alternatives would throw away this prize.

David Currie,
Centre for Economic Forecasting,
London Business School,
Sussex Place,
Regent's Park,
London NW1 4SA

Adam and Eve and others

From Mr A H Hermann.

Sir, As a devoted reader of the last item in your Observer column, may I point out that the three protagonists featured in "At the core" (July 20) all have the facts completely wrong.

The Englishman and the Frenchman seem to believe that it was Adam who offered the apple to Eve, when we all know on the best authority (Genesis, 3) that it was the other way round. And far from having nothing but an apple to eat, as the Russian asserts, they could eat the fruit of all the trees in the Garden of Eden, except that from the tree of knowledge of good and evil and the tree of eternal life.

A H Hermann,
14 Fawley Road,
London NW6 1SH

OBSERVER

Nelson loses his touch

■ Who's to blame for the peculiar affair of the too successful National Savings Bond? It is rare indeed for the government to be pushed around by a building society, let alone a second division one.

Did the authorities just get the rate wrong or did they, more seriously, underestimate the sheer scale of protest? A post-mortem need not take too long. For a start, there is no point in blaming the poor old National Savings movement. It is doing everything the government wanted. Besides having more than doubled its contribution to Treasury coffers, it is behaving remarkably commercially, helped by the presence on its board of Mark St Giles and Roy Heape, two leading lights in the UK unit trust industry.

No one can sensibly argue that the people running National Savings had no feel for the likely impact of any rate move. They knew what they were doing, as the government should have. If the Treasury was unsure, it could have tapped the chancellor's old adviser, Alastair Ross Goobey, who sits on the board of the Cheltenham & Gloucester Building Society, which has been kicking up all the fuss.

Clearly, the government had access to plenty of advice but ignored it. If anyone is to carry the can, it is Tony Nelson, the ex-Slater Walker hand, who is now Treasury economic secretary and the minister responsible for National Savings.

Inside job

■ Having failed to tempt Paul Dacre to leave the Mail stable for the editor's chair at The Times, is Rupert Murdoch now going to give the helm of his UK flagship newspaper to an insider?

Although Rupert Pennant-Rea, who followed News International chairman Andrew Knight into the editor's chair at the Economist, is rumoured to have been sighted near The Times' Wapping HQ, an emerging favourite seems to be deputy editor Peter Stothard, a protegé of former Sunday Times editor, Harry Evans.

It would certainly be a relief for those Times hacks who feared that the likes of Dacre would drag the ship far too downmarket.

U-turn

■ The skirmish in the normally friendly world of motor dealers is turning nasty. T Cowie, bidding £26m for Henlys, is going through the usual process of condemning Henlys' management, rubbishing its strategy and picking apart its businesses.

So why, puzzles Robert Wood, Henlys' chief executive, if Henlys is such a dud outfit, did Gordon Hodgson, chief executive at Cowie, twice buy Henlys shares for his PEP last year and this?

Hodgson is, by the way, showing a tidy profit on the shares.

Seal of approval

■ Michael Green's arrival on the Reuters' board is an important step in the City's rehabilitation of a whiz-kid who had been almost written off two years ago.

Unlike some of the shooting stars of the bull market in the late 1980s the 44-year-old chairman of Carlton Communications has shown real staying power.

Two years ago Carlton's shares collapsed after the market latched on to a

cautious trading statement, but Green, an old friend of Gerald Ratner and Charles Saatchi, persevered and won the London weekday ITV franchise from Thames.

His standing in the City should rise further now that Reuters' chairman Sir Christopher Hogg has given his stamp of approval.

Asian law

■ You won't find the name of 44-year-old Sarosh Zaiwalla in Who's Who or Debrett's People of Today, but when it comes to Britain's growing network of Asian millionaires, Zaiwalla is better connected than most.

His latest venture, putting together Europe's first Hindi-language satellite TV station, is a reminder of how easily he flits between the worlds of international big business, showbiz and politics.

Zaiwalla, senior partner in his own London law firm, has been hovering around the fringes of the Conservative party for several years but first came to national attention when he organised a pre-election "power dinner" for Asian businessmen at Number 10.

Now he is giving the same sort of attention to TV Asia, a £7m project which brings together Faisal Sherjan, Pakistan's TV king, a wealthy politician close to Benazir Bhutto, and Ajitabh Bachchan (brother of Indian movie star Amitabh).

Like many lawyers, he finds no difficulty juggling a sometimes controversial client list, which includes Bachchan (for whom he acted in the Bofors arms controversy), Greek shipowners, and some of the more wealthy BCCI depositors. The Indian government is an ex-client; relations soured with New Delhi after a tiff over unpaid fees of £350,000. M'learned friends have been instructed.

And could there be a starring role for him on TV-Asia? Hosting a show on legal problems would seem a fitting choice.

The real thing

■ As Europe embarks on its hols, spare a thought for the poor Russian motorist.

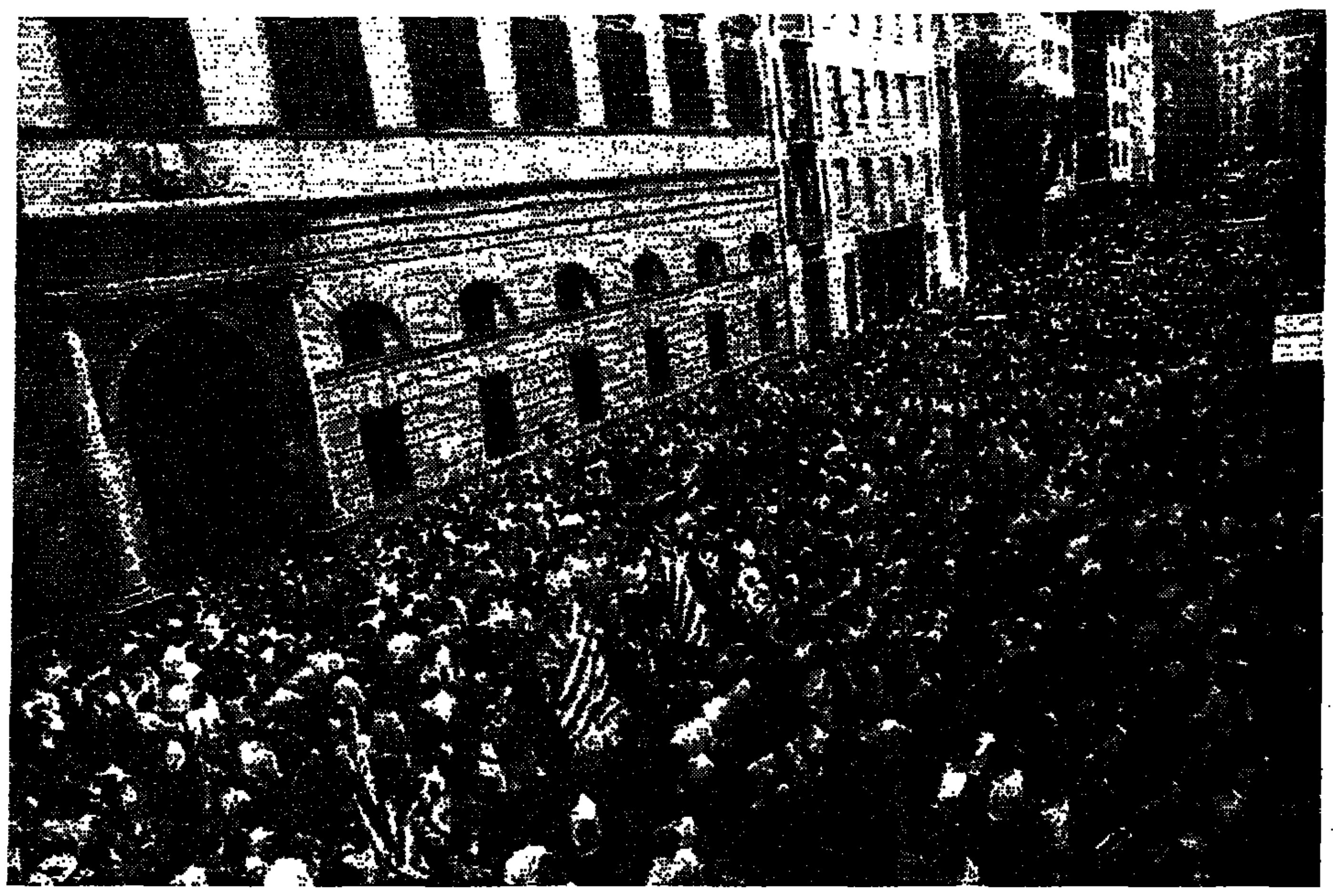
Petrol stations are few, and filling up the family car can often involve several hours' queueing. Indeed, some towns near Moscow have been known to ban the sale of petrol to visitors from the capital in order to conserve their own scarce supplies of fuel.

Hence, it comes as no surprise to learn that farmers in the Kursk region are turning to a more reliable and purer source of horsepower. The price of a "good workhorse" has been rising sharply. It is now between 15,000 and 20,000 roubles, or between $110 and $150. That may not sound a lot by western standards, but it is three or four months' salary for local people.

A FINANCIAL TIME
for change
NEWPORT

FINANCIAL TIMES
Wednesday July 22 1992

10·5%
DIVIDEND – PAID GROSS*
Callfree 0800 282465.



A crowd estimated at 15,000 stands in silence outside police headquarters in Milan yesterday to protest against the killing in Palermo on Sunday of magistrate Paolo Borsellino and five bodyguards in a car bomb attack linked to the Mafia. The mayor of Palermo and seven junior judges working on Mafia cases have resigned in protest at government inaction

Germany puts Telekom top of latest privatisation list

By Christopher Parkes in Bonn

THE GERMAN telecommunications network, Deutsche Telekom, is to become the "people's share of the nineties" in a privatisation programme unveiled yesterday by Mr Theo Waigel, finance minister.

The government will also sell off its remaining 51 per cent stake in the Lufthansa airline "as soon as possible".

Announcing plans to press on with the government's long-term aim of withdrawing completely from business and industry with the sale of "a good two dozen" state concerns, Mr Waigel warned, however, that privatising the telecoms network would need a change in the constitution.

Private advisers had told him that 100 per cent privatisation of Telekom could raise up to DM70bn ($46bn), but he offered no estimates of the total the government hoped to earn from the sell-off.

It was unclear yesterday when substantial funds would start flowing in. As the Economics Ministry pointed out, the current state of the stock markets was "not exactly ideal" for floating the loss-making Lufthansa.

Bonn also intends to hold on to *a 25.1 per cent blocking minority* stake in the airline for as long as competing enterprises in other countries remain under state control.

The last wave of privatisations, completed in 1987 and 1988, when Bonn sold its remaining holdings in motor manufacturer Volkswagen and the Veba and Viag conglomerates, yielded more than DM10bn for the federal coffers.

Mr Waigel's latest offering *includes the 49 per cent federal* stake in Nebenbetriebe der Bundesautobahnen, which runs 670 motorway petrol stations and restaurants.

The Berliner Industriebank, which specialises in loans for businesses in the capital, will be sold before the end of next year. Other businesses on the list include housebuilders, the operating company for the canal connecting the rivers Rhine, Main and Danube and a holding company involved in property, waste disposal, warehousing and transport.

The minister's proposals, approved by the cabinet yesterday, follow last week's announcement of partial privatisation of the federal railways in a project due to start at the end of next year.

Mr Waigel also confirmed yesterday plans to sell off surplus land and buildings currently owned by the western Bundesbahn.

The government currently holds direct or indirect stakes in more than 400 commercial concerns, including transport, travel agencies, hotels and the Bonn press club.

UN general says Sarajevo needs peace force of 40,000

A UNITED NATIONS peacemaking force of 40,000 would be needed to be effective in Sarajevo alone, General Lewis MacKenzie, *the senior UN soldier* in the Bosnian capital said yesterday, Reuter reports from Sarajevo.

The general, who commands the troops guarding Sarajevo airport and keeping open supply lines, said: "This is is the first time a [UN] peacekeeping force has been deployed when there's no peace to keep."

The UN had never converted a peacekeeping to a peacemaking force. "You can't move from one to the other – it's absolutely and totally impossible," he told a news conference broadcast live on Sarajevo radio and television.

Yesterday, the UN peacekeepers struggled to maintain an air*lift of humanitarian supplies for* some 380,000 civilians trapped in Sarajevo. Several cargo aircraft landed in the morning but UN forces were then forced to suspend flights after several mortar rounds hit the airport. Operations were resumed about 90 minutes later, according to Gen MacKenzie.

The general, who hands over his command at the end of the month when French, Ukrainian and Egyptian troops replace his Canadian battalion, said he had been with nine UN missions, but that Sarajevo was 10 times as difficult as the others put together.

"Mortars are set up beside hospitals, artillery beside schools, mortars and other weapons are carried in ambulances – I've never seen the Red Cross abused like that, on both sides ... when you start to break the international rules of war, its a downward spiral. It doesn't get better, it gets worse."

Gen MacKenzie, who was frequently heckled by his audience *of Bosnian journalists, accused* both sides of shelling their own people to try to influence events.

"We have evidence that both sides shell themselves in order to create a particular image. I got so frustrated about this a month ago that I said to both sides: 'If you'll stop shelling yourselves, maybe we'll have peace around here.'"

The general, who referred to his "obsession with impartiality", said: "The citizens of Sarajevo assumed that our arrival would stop the war. People are suffering here, being shelled and killed every day, *and a bunch of guys* drive into town in white vehicles with blue berets on and they expect the fighting to stop tomorrow. And when the shelling doesn't stop tomorrow because that's not in our mandate, who are they going to blame? *They* blame us – I understand that."

He said the Serbs surrounding the city "have a big problem". If they removed their heavy weapons the Bosnian forces were *strong enough to make significant* gains against them.

UN and EC disagree, Page 2
Serbs suffer, Page 2
Editorial Comment, Page 10

Mubarak says he is ready to visit Israel

Continued from Page 1

course of peace," he said. The Israeli prime minister laid a wreath at the tomb of the late President Anwar Sadat, whose 1977 visit to Jerusalem opened the way to Egypt's peace with Israel in 1979.

Mr Sadat, whose mission set off a firestorm of criticism in Arab capitals, was assassinated by Moslem extremists in 1981. The US secretary of state, Mr James Baker, *was yesterday exerting* strong pressure on Arab states to make compromise gestures towards Israel.

Speaking to reporters in Jerusalem before leaving to visit Arab capitals, Mr Baker said he would be "carrying a message that in my view there is a new opportunity to move forward." He added: "There have been some statements already from this new government in Israel that we find promising, that we think inspire trust and confidence, and we hope and believe that we'll see some new statements as well from Arab capitals." During visits to Jordan, Syria and Saudi Arabia, Mr Baker may press the Arabs to consider lifting their economic boycott against Israel.

Staying on at work now seems an old fashion

By David Goodhart, Labour Editor, in London

FORMAL employment for men and women aged 55 or over is going out of fashion in the industrialised world, according to the Organisation for Economic Co-operation and Development.

Only 10.9 per cent of Italian men of that age are in employment, 33 per cent of British males, 28 per cent of Frenchmen and 37 per cent of American men, according to figures in the OECD's latest Employment Outlook. The exceptions are the older men of Japan, 60 per cent of whom work.

The figures for women aged 55 and over in the UK and in Japan are about half of those for the men – at 15.7 per cent and 30 per cent respectively. In France the figure is 17.6 per cent.

The OECD, which does not approve of this waste of resources, says that 20 years ago in most industrial countries between 35 and 50 per cent of men aged 55 and over were in the labour force - now the figure on average is between 20 and 35 per cent.

That is one reason for the very high levels of what the OECD calls "non-employment" – referring to people of working age who are either unemployed or not participating in the labour market – which now apply to 25 per cent of men and 50 per cent of women in the OECD countries.

The OECD blames government social security rules, occupational pension schemes and a large increase in the number of people covered by sickness and invalidity schemes for the drift away from the labour market by older workers.

To avoid minimising conflict with employees and unions, says the OECD, companies have designed redundancy packages which allow people to retire at 53 or 54 with almost the same benefits as if they were to work to the age of 60.

The OECD complains that this *is throwing away valuable skills* and, like many lobby groups for older people, calls for more flexible retirement ages.

Concern, the UK charity, believes the figures are further evidence of "ageism" – discrimination against older people.

However a senior official at the UK's Department of Employment said attempts to lure older workers back into jobs in the late 1980s, when there was a labour shortage in the *south-east of* England, had not been successful. "We had a furious reaction when we suggested to older people that they might take jobs rather than just stay at home receiving benefit", the official said.

High jobless total, Page 3

THE LEX COLUMN

BA's high price ticket

British Airways' deal with USAir is a vivid illustration of the unique nature of the world airline business. The proposition is that BA should pay £383m *for a 32 per cent stake* in a business whose entire market capitalisation on the day before the deal was £319m. On a voting basis, BA's stake will be only 21 per cent. Granted, BA will get preference stock yielding 7 per cent, whereas USAir's equity yields nothing at all. It is also claimed that putting the two businesses together will produce handsome cost savings, if not for another couple of years. But if yesterday's mere 10 per cent rise in USAir's share price is a guide, Wall Street, with its long and depressing experience of US domestic airlines, is in no hurry to be convinced.

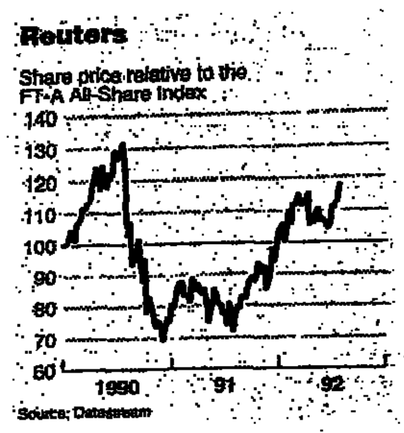
The 4 per cent rise in BA's share price yesterday will have been partly due to relief that among the various deals which the company was working on, *it has settled* for one which will not involve a rights issue. On the other hand, gearing will be pushed to nearly 100 per cent. Given that the deal could ultimately involve a further payment of up to $600m and that BA plainly has ambitions for other link-ups elsewhere in the world, the threat of a future cash call should perhaps not be dismissed.

On the bright side, it should be pointed out that USAir gives BA its entry into the US domestic market, *besides offering a leading position in a* handful of US east coast airports which account for some 40 per cent of transatlantic travel. It also brings in a business with £3.8bn of turnover to add to BA's £5.2bn. It is also plain that the US domestic airline industry cannot continue as it is: it must either get a good deal better or a good deal worse. But it is still sobering to reflect that if BA and USAir had been formally combined last year, their pre-tax margin on joint turnover of £9bn would have been just 1.3 per cent.

US economy

Mr Alan Greenspan, Federal Reserve Board Chairman, looks like a man determined to keep his options open. Those looking for hints of further easing in yesterday's congressional testimony may draw some satisfaction from his admission of disappointment with the pace of economic recovery in the second quarter. *The same goes* for the assertion *that US inflation* is to sink to a level lower than has been sustained for 25 years. Those expecting no change in policy will point to

FT-SE Index: 2415.6 (+11.9)



the forecast of increased economic momentum and the excuse, in the *form of changed* velocity, for money supply growth stuck below target.

The Fed may now be in a reactive mode in which it will ease policy again if the recovery does not pick up over the *summer*. But implicit in Mr Greenspan's remarks is a degree of doubt on whether a further fall in short term rates would help. The real need is to keep long *term* rates headed lower to encourage mortgage refinancing and ease the burden of consumer debt. If Mr Greenspan's natural inclination *yesterday was to reassure* the politicians about growth, he will also have been anxious to ensure that the markets heard his message on inflation.

Reuters Holdings

For a company in the communications business, Reuters sets an extraordinarily bad example. It does not regard the price it is paying to buy out the minority interests in Visnews as material to its shareholders. It does *not claim to know exactly how much* investment will be required to build up its video news service. It offers only the vaguest of explanations as to where £15m in rationalisation costs went in the first half. And *it* does not see any need to disclose the transaction volumes on its newly-launched dealing systems.

There is, however, no escaping the lacklustre indications underlying yesterday's announcement of a 10.2 per cent increase in interim profits. *Higher* interest income accounts for nearly two thirds of the advance and the company admits to disappointment on revenue growth. It has stopped surcharging customers for packaging new facilities into existing financial services and admits to doubts about when demand will be *strong enough* to permit resumption of this *once* lucrative pricing policy.

It is thus legitimate to ask whether Reuters' heady growth of recent years is now history. Certainly, there cannot be much joy in selling banking products in Japan these days, or in the US, *for that matter*, where mergers are shrinking the market. The newest dealing products are off to an unexciting start. The thought occurs also that the managers who developed Reuters' great money-spinners like its Monitor service have long since moved on.

Perhaps the Visnews announcement is trivial in itself and timed to distract attention from such worries. Perhaps it really is intended to add a significant new dimension to Reuters' news activities. That would make strategic sense. But it would also require heavy investment in a side of the business which has never distinguished itself in terms of margins or earnings growth. Whatever the answer, the shares look expensive on a running multiple just below 19.

SmithKline Beecham

In its quiet way, SmithKline Beecham is turning out the glamour stock of the UK pharmaceuticals sector. *Since* the start of the year it has outperformed Glaxo by some 25 per cent and Wellcome by nearer 30 per cent. It was always going to take several years for the market to be satisfied of the success of the merger. It also took time for equilibrium to be established between US sellers and UK buyers of the merged stock. But yesterday's second quarter figures – underlying pretax profits up by 15 per cent, in spite of zero price increases and a 2 per cent fall in Tagamet's volume – show *there is still growth after the immedi*ate cost savings from the merger have worked through.

For the sector, of course, the overshadowing influence this week is the Wellcome sale. But however that may be scaled back, it will surely not be pulled. The Wellcome Trust, after all, is merely swapping assets within the equity market. For purposes of charitable funding, locking into an indexed fund on a starting yield of 5.1 per cent is a remarkable opportunity. With all that, it is worth recalling that SB is on a substantially lower multiple than Wellcome and on only a modest premium to the market as a whole.

This week on Financial Times Television

"As the Olympic Games open in Barcelona - we look at the athletes' Advertising and Sponsorship" on Financial Times Business Weekly.

Also in this week's programme, the fourth of six special reports on the environment produced in partnership with mazda Motor Corporation

When to watch

Wednesday 2130 and Sunday 1800 (CET) on Superchannel
Thursday 2030, Sunday 1230, 1930 and Monday 0030 (BST) on SKY News

FINANCIAL TIMES TELEVISION
Number One Southwark Bridge
London SE1 9HL England
Telephone: (44 71) 873 3541

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	F	19	66	Frankfurt	T	27	81	Majorca	S	31	88	Oporto	S	21	70	Tenerife	S	27	81
				Brussels	R	22	72	Geneva	S	29	84	Malaga	S	34	93	Oslo	R	20	68	Tokyo	S	31	88
				Budapest	S	29	84	Gibraltar	S	27	81	Malta	S	30	86	Paris	F	20	68	Toronto †	S	12	54
Ajaccio	S	28	82	Buenos Aires	C	15	59	Glasgow	C	18	64	Manila	R	31	88	Prague	S	31	88	Tunis	S	33	91
Algiers	S	29	84	Cairo	S	33	91	Helsinki	F	23	73	Melbourne	C	10	50	Reykjavik	S	13	55	Valencia	S	31	88
Amsterdam	S	25	77	Cape Town	F	16	61	Hong Kong		–	–	Mexico City		–	–	Rhodes	S	28	82	Venice	F	28	82
Athens	F	30	86	Caracas	C	29	84	Innsbruck	S	33	91	Miami †	S	28	82	Rio de Janeiro	C	29	84	Vienna	S	30	86
Bahrain	S	39	102	Casablanca †	F	24	75	Inverness	C	17	63	Milan	S	30	86	Rome	S	29	84	Warsaw	S	31	88
Bangkok	F	32	90	Chicago †	C	17	63	Islamabad	C	28	82	Montreal †	S	12	54	Salzburg	S	31	88	Washington †	S	27	81
Barcelona	F	27	81	Cologne	F	31	88	Istanbul	F	26	79	Moscow	C	17	63	S'Francisco †	C	16	61	Zurich	S	29	84
Beijing	S	30	86	Copenhagen	S	27	81	Jakarta	F	32	90	Munich	S	32	90	Seoul	C	28	82				
Beirut	S	27	81	Corfu	S	30	86	Johannesburg	S	18	64	Nairobi		–	–	Singapore	F	31	88				
Belfast	F	17	63	Dallas †	C	23	73	Lisbon	S	24	75	Naples	S	30	86	Stockholm	F	24	75				
Belgrade	S	30	86	Dublin	C	17	63	London	C	20	68	Nassau	F	29	84	Strasbourg	F	32	90				
Berlin	S	33	91	Dubrovnik		–	–	Los Angeles †	C	20	68	New Delhi	C	29	84	Sydney	F	13	55				
Biarritz	R	17	63	Edinburgh	R	16	61	Luxembourg	F	26	79	New York †	C	25	77	Taipei	C	35	95				
Bombay	F	29	84	Faro	S	27	81	Madeira	C	23	73	Nice	S	28	82	Tangier	F	25	77				
Bordeaux	F	21	70	Florence	S	30	86	Madrid	S	26	79	Nicosia	S	27	81	Tel Aviv	C	27	81				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

SHEERFRAME
Specified Worldwide
L.B.Plastics Limited
Tel: 0773 852311

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday July 22 1992

©THE FINANCIAL TIMES LIMITED 1992

BEAT THE HEAT!
CALL 0276 694205 FOR IMMEDIATE ACTION
TOSHIBA
ADVANCED AIR CONDITIONING

INSIDE

German banks poised for shake-up

WestLB, the acquisitive state bank of North Rhine Westphalia, seems set to take a substantial stake in its closest southern neighbour, the Landesbank Rheinland-Pfalz, following a decision yesterday by the Rhineland Palatinate government to sell a 50 per cent holding in its state bank. WestLB is also co-operating with NordLB from Hanover for a stake in the Kiel-based state bank of Schleswig Holstein. If successful, the deals will mark substantial progress in the restructuring of Germany's regional banking network. Page 14

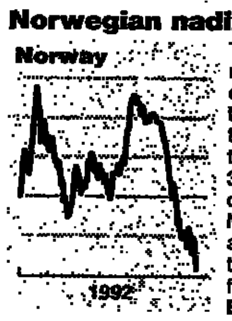
Metals revival may be tarnished

Prices on the London Metal Exchange have been rising strongly in recent weeks, turnover is high and some traders have dusted off the vintage champagne bottles to celebrate. The casual observer might mistakenly assume the LME's upbeat mood is signalling world economic recovery is on the way. But the LME is giving some distorted signals. Page 20

Nortel suffers setback

Northern Telecom has suffered a one-third drop in second-quarter earnings, the first profit setback for the fast-growing Canadian telecommunications equipment maker in almost three years. Page 15

Norwegian nadir



The Norwegian stock market has been pulled down by 10.5 per cent this year. On Monday, the all-share index hit a three-year nadir of 369.99. But Norway's domestic strength, in North Sea oil and metals, is producing cautious optimism, at best, for the second half. Back Page

Sears, Roebuck advances 15%

Sears, Roebuck, the US retail and financial services group, has reported a sharp increase in second quarter net income. The group lifted the figure to $345.6m, a 15.5 per cent advance on $299.4m a year ago. Page 15

Turtles armed with a smile

The smiles on the faces of the Teenage Mutant Ninja Turtle puppets must be as wide as those of the people who put them there: Advanced Risc Machines (ARM), based in Cambridge, developed the microprocessors at the heart of computer controls inside the Turtles. The chips were recently chosen by Apple, the US computer company, for its all-in-one portable electronic notebook, word processor, fax machine and computer. The success of ARM, with only 30 employees, is impressive when large semiconductor manufacturers are suffering in the face of competition and price falls. Page 18

Bond yields tumble in Japan

Japanese government bonds yesterday reached levels not seenfor nearly three years as the Bank of Japan allowed moneymarket interest rates to drift lower. The tumbling bond yields are the latest sign that investors expect the authorities to react soon to the steady weakening of the Japanese economy by relaxing their monetary stance still further. Page 16

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Douglas	545	+	15
Falls			
Beiersdorf	740	–	10
Colonia Konz	850	–	30
Heidelb Zem	850	–	25
Linotype	377	–	11
PWA	200	–	27

PARIS (FFr)

Rises			
Cetelem	707	+	32
Imetal	324	+	19
Pollet	500	+	65
Falls			
Cap Gemini	225	–	15
Fonc Lyonn	578	–	27
Vallourec	155	–	14

NEW YORK ($)

Rises			
USAir	14⅛	+	1⅛
United Tech	53½	+	2⅞
Warner Lambert	65⅛	+	1
Falls			
Chrysler	19	–	⅛
Ford	44	–	1¼
Gen Motors	39¾	–	½

TOKYO (Yen)

Rises			
Copal	398	+	38
Gajoen Kanko	285	+	25
Falls			
Carolina	250	–	20
Lec	13	–	2
Takasago	227	–	20
Teikoku	375	–	35

New York prices at 4pm.

LONDON (Pence)

Rises			
AB Ports	289	+	9
BM Group	94	+	15
Brit Airways	268	+	10
Glaxo	716	+	28
Medeva	188½	+	10½
Mirror Group	83½	+	5
Ocean Group	222	+	18
Sedgwick	167	+	7
Smithkl Beech A	457	+	13½
Stand Chart	442	+	3

Falls			
Central Motor	125	–	5
Enterprise Oil	319	–	13
Lee (A)	72	–	13
Northumbrian Fine	22	–	6
Reuters	1126	–	25
SEET	38	–	5
Simon Eng.	190	–	16
Wellcome	833	–	12

Citicorp lifts profit despite property loss

By Alan Friedman in New York

CITICORP, the largest banking group in the US, yesterday provided evidence of a solid recovery in overall earnings in spite of trebled North American commercial property losses.

The bank's second-quarter net profit was $171m, compared with $11m in the same period of 1991. Earnings per share were 32 cents against a loss of 12 cents.

A second-quarter loss of $355m was reported for the North American commercial property division, more than three times the $108m loss of a year ago.

Mr John Reed, chairman, said the results showed the bank to be on track to meet the objectives of its reorganisation and capital building programme. He cited the improved operating margin of $1.8bn, an increase of 24 per cent year-on-year.

The bank's core consumer division achieved a 34 per cent rise in net earnings to $234m, on revenues 4 per cent up at $2.6bn.

The global corporate business achieved $294m of net income in the quarter, against a $10m loss a year ago. Revenues of $1.4bn were 12 per cent improved year-on-year. The cross-border refinancing portfolio produced $105m of net income, against $3m a year ago.

For the first six months of 1992 Citicorp's net income was $354m (69 cents per share), against $104m (5 cents per share) in the first half of last year.

Citicorp wrote off $356m of North American commercial property loans during the second quarter, against $90m a year ago. Total second-quarter loan write-offs were down to $908m from $1.68bn a year ago, due to the absence of last year's heavy cross-border loan write-offs and the benefit of corporate division loan write-offs of $126m – less than one third last year's level.

Bad debt provisions were unchanged year-on-year at $1bn while non-performing corporate side loans totalled $8.1bn against $7.9bn a year ago.

Non-performing North American commercial property loans represented 24 per cent of the $11.95bn loan book, but when foreclosed property is added this rises to $6.3bn, or 52.6 per cent.

Mr Tom Hanley, an analyst at First Boston, said the Citicorp figures showed property-related bad debt provisions would remain high this year, but "it looks like the worst is past in terms of credit quality problems". He estimated Citicorp's operating earnings per share at 17 cents for the quarter, against a 3 cent operating loss.

On Wall Street, Citicorp's shares rose $¾ to $20¼.

National Australia bids for NZ bank

By Terry Hall in Wellington

NATIONAL Australia Bank (NAB), a leading Australian trading bank, yesterday offered NZ$0.80 a share for Bank of New Zealand (BNZ), New Zealand's largest commercial bank, valuing it at NZ$1.48bn (US$800m).

NAB has the support of BNZ's main shareholders: the New Zealand government with 57 per cent; and Fay, Richwhite, the New Zealand merchant bank, with 27 per cent.

The offer is conditional on a due diligence process, approval from regulatory bodies, and acceptance from 90 per cent of BNZ's ordinary shareholders and stakeholders in Fay, Richwhite. Individual shareholders own 15.7 per cent of BNZ.

BNZ, which had net profits of NZ$171.1m for the year to March, has made progress in restructuring over the past two years. It had run into difficulties through bad lending policies between 1985 and 1988 leading the government to recapitalise it and set up Adbro, a separate company, to hold its debts of NZ$1.4bn. Ms Ruth Richardson, New Zealand finance minister, welcomed the deal saying the government did not consider itself a long-term shareholder in BNZ.

The offer is NAB's second attempt to buy BNZ. In 1987 it was prepared to pay NZ$200m more, but was prevented by the then Labour government.

The purchase of BNZ will give NAB total assets of A$109.77bn (US$80.8bn).

UK airline's stake in USAir will give it unrivalled access to the biggest air travel market, report Daniel Green and Nikki Tait

BA's global dream ready for take-off

Lord King's 11-year dream of creating the world's first global airline took a step closer to reality yesterday with BA's acquisition of a stake of up to 44 per cent in the fifth biggest US carrier, USAir.

The deal follows years of frustration for BA as it tried in vain to establish a bridgehead in North America. A tie-up with United Airlines of the US collapsed in 1989. Another with KLM, the Dutch flag carrier which has a stake in US carrier Northwest, was abandoned early this year.

Now BA has done it, and with the largest ever transatlantic stake among big airlines. The deal, it believes, gives it a unique position to take advantage of deregulating markets in Europe and across the Atlantic. And compared with other European airlines, it will now have unrivalled access to the US east coast.

On many measures, the price is high. In a complex deal, BA is injecting $750m into USAir in return for convertible preference shares that, if converted in five years, could give it up to 44 per cent of the equity capital of the airline. USAir has other holders of convertible shares and if they converted too, BA's stake would be diluted to 32 per cent. BA has the right to maintain its 44 per cent by paying up to another $600m.

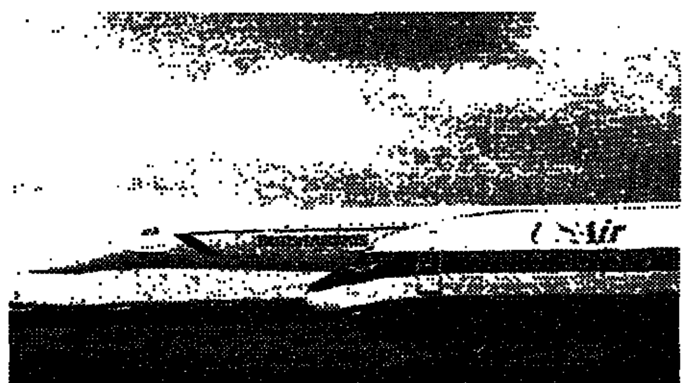
A possible total outlay of $1.35bn over several years compares with the $600m of ordinary shares and $600m of preferred shares USAir has outstanding now. Furthermore, BA cannot buy 44 per cent of shareholder voting rights. US regulations limit foreign control of domestic airlines to 25 per cent. As foreigners currently hold about 4 per cent, BA's voting power will initially be about 21 per cent.

In return, BA will earn a return of 7 per cent on the convertibles. BA says this will cover the costs of the investment which will come from its own resources.

It will also appoint four of USAir's board of 16 directors as well as another two non-executive directors who will sit on the boards of both companies.

Perhaps more importantly, the tie-up gives BA access to the US air travel market, which accounts for some 40 per cent of global air traffic. This will help BA stave off challenges from smaller low-cost operators such as Virgin which fly to only a handful of US cities. A combined BA and USAir will be able to sell through tickets to 204 US cities, compared with BA's current 19.

BA also plans to exploit economies of scale in areas such as marketing, maintenance and purchasing. This will help it challenge the position of the world's biggest airlines, United and American, which last year took over some of the transatlantic routes of the now defunct Pan Am and TWA. The size, and the financial and marketing strength of United and American have given each 15 per cent of the north Atlantic market, a figure which is rising steadily.



	British Airways	USAir
	Year end Mar 31, 1992	
Revenue	£5.22bn	£3.76bn
Net profit (loss)	£285m	(£165.7m)
Number of aircraft	230	439
Number of employees	48,453	45,281
Revenue passenger km	65.9bn	54.6
Headquarters	London	Arlington, Virginia

The combined USAir and BA will carry more passengers than any other airline, but it will still be smaller than American and United on the more usual measure of airline size – revenue passenger kilometres – which take into account the distance travelled by each passenger.

For USAir, the deal is even more important. The carrier has been suffering from severe problems integrating Piedmont Aviation which it bought for $1.56bn in 1987. With domestic recession and then the Gulf war, USAir's problems escalated. Domestic traffic growth ground to a halt, and cash-strapped carriers initiated costly fare wars.

At the operating level, USAir made $21.5m profit in 1989, but turned this into a $501.1m loss in 1990, and a $173.5m deficit in 1991. With the hefty interest charges added in, the net loss for the same three years was $63.2m, $454.4m, and $305.3m respectively. Long-term debt remained in excess of $2bn, and in late-1990, USAir suspended dividends on its ordinary shares.

USAir said yesterday that the money would initially go towards paying down bank debt, reducing its total debt to equity ratio, on a pro-forma basis, from around 58 per cent to 38 per cent.

So why should BA be prepared to pay $750m for a 32 per cent stake in such a loss-maker?

"We looked at the projected profitability and calculated a fair value," said Mr Derek Stevens, BA's chief financial officer. He points to USAir's drastic cost cutting: the company has shed more than 7,000 jobs in the past two years, and cut salaries and services. "The opportunity is for traffic," said Lord King. "I don't think it's a gamble. It's an opportunity to reach out and take the airline global."

USAir ranks sixth among US carriers in terms of revenue passenger kilometres flown; it ferried more than 55m passengers last year and employs 45,281 people. It operates 439 jet aircraft, almost twice the size of BA's fleet. A large part of its route network is still to the heavily travelled East Coast. This was augmented last winter, when USAir agreed to operate the former Trump Shuttle which flies between Washington DC-New York-Boston.

So the airlines respective routes fit fairly neatly together. USAir is largely a US domestic carrier while BA is strongest on international routes. Both have large Boeing fleets, so shared maintenance and purchasing should be easy to implement.

The immediate obstacles could come from the phalanx of regulatory and legal hurdles the deal must overcome before it is finalised. In the US, the airlines may have to convince the departments of Transportation and Justice, over anti-trust rules. In Brussels, the European Commission will cast its eye over the proposed transaction.

On an operational level, the combined managements face the issue of New York. British Airways has invested heavily in its base at the city's biggest airport, JFK. USAir, however, is committed to the second airport at La Guardia.

Sir Colin Marshall, BA's chief executive and in sole operational command of the airline since last week's annual meeting, would not forecast potential cost savings. But UBS Phillips & Drew, the company's broker, said the "combined annual cost savings and extra revenue of $100m-$200m a year is not an unreasonable target". Sir Colin conceded that gains were unlikely to outweigh the costs of reorganisation for two years. But then BA has a further three years before it is likely to have to convert its investment into ordinary shares and consolidate USAir's profits or losses into its own.

By that time BA will hope the synergy benefits and a recovery in the world economy will have brought USAir back into healthy profit. If this comes true then BA's shareholders will have avoided diluting their earnings and Lord King will receive their thanks. If it does not, he will be safe from their wrath in the semi-retirement of BA's honorary presidency.

Lex, Page 12

Efim creditors meet to decide on recovery of debt

By Richard Waters in London

A GROUP of banks that are owed money by Efim, the Italian state holding company, met in London yesterday in the first sign of concerted action by banks around the world to recover $2bn of foreign debts owed by the group.

It also emerged that a group of Japanese banks, led by Sanwa and Mitsubishi, are among the largest creditors of the group, which is to be wound up. About 15 international banks are owed more than $30m each and there are more than 150 bank creditors in all.

The announcement by the Italian government that it is to dismantle Efim has dismayed bankers, who were not warned of the move and who are concerned about whether they will be repaid in full. Any failure would have dire consequences for Italy's standing in international financial markets.

Yesterday morning a group of banks owed Ecu300m ($408m) by the group met to decide what action they should take. The syndicate is led by Bankers Trust International and Mitsubishi Bank.

According to one of those at the meeting, the banks are trying to establish what is to happen to Efim, and the terms they are likely to be offered. "We have some information. Efforts are going on to get more," he said. Until more information is forthcoming, the banks cannot decide what to do next, he added.

At the same time, the lead banks in a number of banking syndicates have already established informal contact in an attempt to co-ordinate their actions. "An informal exchange of views is in everyone's interests," a bank leading one syndicate said.

Mitsubishi Bank, in charge of the Ecu300m syndicate and itself thought to be owed some $53m, was named yesterday as a likely leader in any discussions with the Italian authorities. The bank said it would have to establish whether its exposure was greater than other banks before deciding whether to take a lead.

Other banks thought likely to play a leading role include Sanwa (thought to be owed $81m), Bankers Trust ($69m), Chemical Bank ($49m) and UBS ($47m).

The large number of Japanese banks among Efim's creditors makes it likely that a Japanese financial institution will play a leading role in discussions with the Italian authorities.

SmithKline Beecham profits up

By Paul Abrahams in London

BUOYANT pharmaceutical sales helped SmithKline Beecham, the Anglo-US drugs and consumer products group, report pre-tax profits up 10 per cent from £230m to £245m ($468m) for the second quarter.

Sales increased 9 per cent from £1.155bn to £1.261bn. However, both sales and profits were flattered by favourable exchange rates: at comparable rates, sales and profits would have been 4 per cent and 5 per cent higher.

Earnings per share and per equity unit, following a share split in the UK this month, were up 12 per cent to 6.2p and 11.7 cents.

Mr Robert Bauman, chief executive, said: "We are particularly pleased with the performance of pharmaceuticals. Our strong marketing capacity has allowed us to expand existing products and successfully launch new ones."

He pointed to the success of Relafen, a new arthritis treatment which was launched in the US in February. The drug had worldwide sales of £40m for the first half of the year. Sales of Augmentin, an antibiotic, increased 24 per cent during the first quarter at constant exchange rates. Tagamet, the anti-ulcer drug, fell 2 per cent.

Mr Bauman said the group still lacked marketing depth in Japan, and would look to expand its sales force and set up more co-marketing agreements with indigenous companies.

Sales from pharmaceuticals increased 13 per cent from £607m to £686m. The division's trading profits rose 7 per cent from £163m to £176m, while margins declined from 26.8 per cent to 25.6 per cent.

Sales of consumer brands rose 7 per cent from £331m to £355m. Trading profits increased 14 per cent from £49m to £56m. Margins improved through better sales and sales of non-core operations.

Operating profits at the animal health division fell 25 per cent from £14m to £10m on sales of £76m (£77m). Clinical laboratories' trading profits increased 15 per cent from £19m to £21m on turnover of £144m (£140m).

The company proposed a second interim dividend of 2.075p (1.875p) per cent ordinary share and 5.279 cents (4.216 cents) per equity unit.

Lex, Page 12

This announcement appears as a matter of record only

Management and Employee Buy-out

Medway Ports Limited

From the

Medway Port Authority

Total Value

£54 million

Equity finance of £16 million led, arranged and underwritten by

Charterhouse Development Capital Limited

Investors

The Second Charterhouse Buy-out Fund
Commercial Union Asset Management Ltd
3i Group plc
Phoenix Fund Managers Ltd
Prudential Venture Managers Ltd

Charterhouse were advised by

Hammond Suddards, Leeds
KPMG Peat Marwick, Birmingham

CHARTERHOUSE

June 1992

INTERNATIONAL COMPANIES AND FINANCE

WestLB set to take stake in Rheinland-Pfalz bank

By Christopher Parkes in Bonn

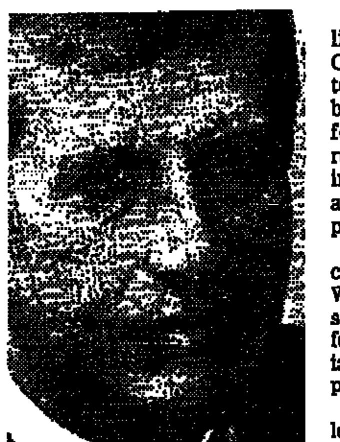
WESTLB, the acquisitive state bank of North Rhine Westphalia, seems set to take a substantial stake in Landesbank Rheinland-Pfalz, the state bank of its closest southern neighbour.

Formal talks are about to begin following a decision yesterday by the Rhineland Palatinate government to sell a 50 per cent holding in its state bank.

Mr Rudolf Scharping, prime minister of the Rhineland Palatinate, said preliminary talks with Düsseldorf-based WestLB, and its collaborator, SüdwestLB from Baden-Wurttemberg, suggested "the goal would be reached".

WestLB, meanwhile, is co-operating with NordLB from Hanover in negotiations for a stake in the Kiel-based state bank of Schleswig Holstein.

If successful, the deals would mark substantial progress in the long-awaited restructuring of Germany's regional banking network.



Friedel Neuber: fostering rationalisation of state sector

WestLB, led by Mr Friedel Neuber, is the biggest German state bank, with operating profits expected to reach DM1bn ($675.6m) this year. It is also the most adventurous.

Overseas ventures include a link in 1989 with Standard Chartered of London designed to build up WestLB's merchant banking side and extend its foreign coverage. Most recently, WestLB took a share in Thomas Cook, the UK travel and travellers' cheques company.

LTU, Germany's biggest charter operator, in which WestLB has a 34 per cent stake, bought 90 per cent of the former Midland Bank subsidiary, while the bank took 10 per cent on its own account.

Domestic expansion has been less dramatic, however. Even though it has long been agreed that rationalisation of state banking is necessary to compete with the commercial sector, few of the länder banks have been prepared to surrender their independence.

The traditional role of the banks is to finance state and local authorities and act as umbrella organisations for regional savings groups.

PepsiCo makes strong advance

By Karen Zagor in New York

PEPSICO, the US soft drinks, snacks and fast-food restaurant group, yesterday unveiled a 20 per cent improvement in second-quarter net profits, with a strong gains in overseas markets.

Net income for the three months to June 13 totalled $383m, or 48 cents a share, compared with $318.3m, or 39 cents, in the same period last year. Sales advanced 11 per cent to $5.21bn.

Mr Wayne Calloway, chief executive, said earnings momentum had been based on "strong and balanced operating results, with all three lines of business achieving double-digit growth in both their US and international operations".

PepsiCo saw a 9 per cent increase in soft drink sales to $3.42bn, with international sales for the division surging 18 per cent to $926.9m. Operating profits for the division rose 8 per cent to $452.2m.

PepsiCo's snack foods operations had operating profits of $459.1m, up 20 per cent, on sales which rose 8 per cent to $2.74bn. The improvement was driven by strong gains overseas, where operating profits soared 39 per cent to $125.5m.

For the first half, PepsiCo posted a 19 per cent gain in net income to $624.5m, or 78 cents a share, on sales which rose 11 per cent to $9.8bn.

Creditanstalt shows 13% decline

By Eric Frey in Vienna

CREDITANSTALT, the big Austrian bank, has announced a 13 per cent decline to Sch1.3bn ($124.5m) in operating profit for the first half of 1992.

Mr Guido Schmidt-Chiari, chairman, said the fall reflected the sharp rise in short-term interest rates and the weakness of the Vienna stock market. However, he predicted better results for the remainder of the year.

Partial operating earnings, which do not include profit from the bank's own-account trading, declined 9.5 per cent to Sch845m. However, several of Creditanstalt's regional banking subsidiaries managed higher profits.

Creditanstalt's performance is understood to be better than that of its leading domestic rivals, however.

Bank Austria, the largest financial institution in the country, saw partial profit drop 15 per cent in the six months, while GiroCredit has reportedly suffered an even steeper setback. Neither of the two banks have yet published results.

Asea Brown withdraws offer to sell unit

By Andrew Baxter

ASEA BROWN Boveri, the Swiss-Swedish engineering group, is taking its UK-based global instrumentation business off the market after a four-month search for buyers failed to produce a deal.

ABB yesterday said that after having reviewed several offers it would keep the business, which has annual sales of nearly $450m, employs 4,500 people and produces water meters, instruments and control valves.

The move is a temporary setback for ABB's strategy of concentrating on its core activities in electrical engineering.

Zurich-based ABB had put the business up for sale in March, with Morgan Stanley International retained as financial adviser. ABB said then that a business that was more than 50 per cent related to water meters was not closely related to its core.

ABB yesterday put a brave *face on the decision to keep* the business. "It does not speed up our streamlining process, but it's not so very odd a business for ABB to keep, and it has no negative impact on ABB as a whole," said the company. It added that other ABB businesses might come up for sale instead.

The possible sale of the business produced several offers from a number of countries. However, in current market conditions it was not easy to sell businesses of such a size, ABB said.

It indicated that price was one reason why a deal could not be reached, but not the only reason. "The company has a good market potential, and a good standing in the water meter business, especially in the UK. It was not necessary to dump it, and we don't sell at the wrong price."

● RWE, the diversified German energy group, has not yet made a final decision on a possible capital increase, Reuter reports. RWE, subject of intense rights issue speculation, said the final decision would be made in October.

Reuters shares slip after forecast

By Andrew Bolger in London

SHARES in Reuters Holdings closed 25p lower at 1126p yesterday after the international financial information and news company was unable to forecast any improvement in its revenue growth rate.

The group reported a 10.2 per cent increase in pre-tax profits to £187.4m ($356m) for the six months to June 30 on turnover of £748.4m, an increase of 6 per cent.

However, the profits figure was boosted by a jump in interest received from £21.9m to £32.5m. Operating profit before interest rose by 4.5 per cent, to £154.7m.

Mr Peter Job, chief executive, said there had been a slowdown in revenue growth, as forecast, largely reflecting the lower level of orders taken for the group's financial information services last year.

He added: "While there is a modest improvement in the order level, this is being offset by measures we are taking to fortify our long-term market position. These include packaging of new facilities into existing services free of charge where previously we might have sold them for an extra fee."

Phase two of Dealing 2000, the automated foreign exchange trading system, and Globex, the trading system for futures and options, were proving themselves technically, but the extent and timing of their contribution to revenue could not yet be gauged.

Reuters also announced plans to increase its role in television by establishing a joint venture with NBC of the US and taking full control of Visnews, the international television news agency.

The UK-based group already owns 51 per cent of Visnews and will acquire NBC's 37.5 per cent. Reuters has also agreed in principle to acquire the BBC's 11.25 per cent share of the agency, but declined to say how much it was paying for the minorities.

Mr Job said: "We intend to invest in television and make Visnews a more powerful force by extending its operations into Reuters' network of 118 reporting bureaux worldwide."

Mr Michael Green, chairman of Carlton Communications, the television production and services group, is joining the board of Reuters as a non-executive director.

Mr Green will replace Mr Andrew Knight, executive chairman of News International, the Murdoch newspaper group. Mr Knight is leaving the board after four years because of the pressure of other commitments.

Reuters' earnings per share increased by 11.4 per cent to 30.3p against 27.2p last time, and the interim dividend rose by 12.8 per cent to 5.3p, against 4.7p.

Lex, Page 12
Observer, Page 11

Roche posts interim sales gain

By Ian Rodger in Zurich

ROCHE, the Swiss pharmaceuticals group, has reported a 19 per cent increase in sales to SFr6.6bn ($5.03bn) for the first half of 1992 and forecast "a considerable improvement" in profits for the full year.

Extracting distortions from currency conversion, the sales growth was 14 per cent.

Roche said the acquisition of the Nicholas over-the-counter medicines business last year added about SFr140m to first-half sales, while last year's disposals removed roughly SFr60m.

The 23 per cent growth in sales by the pharmaceuticals division to SFr3.5bn was due to strong gains of existing drugs – including Rodcephin, an antibiotic, Roaccutane, an acne drug, and Dormicum, a hypnotic – *and to acceptance of* new products – such as Neupogen, a drug for reducing the side-effects of chemotherapy, Aurorix, an anti-depressant, and Inhibace, which lowers blood pressure.

Sales of non-prescription medicines also increased, and the group predicted the new Roche Nicholas over-the-counter business would achieve sales of SFr1bn in the full year.

Sales of vitamins and fine chemicals jumped 19 per cent to SFr1.6bn, and the US service *laboratories contributed signif*icantly to the 17 per cent rise in the diagnostics division sales to SFr800m.

Sales of fragrances and flavours were up 10 per cent to SFr723m, even though the fragrances market was stagnant.

Finmeccanica merger with Sifa approved

By Robert Graham in Rome

THE merger of Finmeccanica, which controls the engineering and aerospace activities of Italy's state-owned IRI group, with Sifa, a stock market-listed holding company owned by IRI, was approved yesterday.

The merged group, to be called Finmeccalica, has combined assets of L3,128bn ($2.77bn). The enlarged group hopes to obtain a bourse listing in November this year.

The aim is to achieve through a subsequent share issue a nominal capitalisation of L1,638bn, of which 47 per cent of ordinary shares and 71 per cent of saving shares will be in third-party hands.

The move was set in train well before the government decided 10 days ago to convert IRI, along with three other state entities, into joint stock companies in order to accelerate the privatisation process.

The merger envisages a L511bn capital increase via the issue of 1,022bn shares on the basis of four ordinary Sifa shares for every nine Finmeccanica shares.

Finmeccanica has net liabilities of L4,862bn. Last year, the group made a L525bn loss, in part due to the repayment of L615bn to IRI which the European Commission declared was an illegal subsidy.

Banque Worms recapitalisation

UNION des Assurances de Paris (UAP), the French insurance group, will recapitalise its Banque Worms subsidiary, Reuter reports from Paris. The insurer also announced that the bank's managing director, Mr Didier Renaudin, is to step down.

The insurance group said that Worms would get an injection of between FFr500m ($100m) and FFr700m, but declined to comment on the figures.

Banque Worms posted a net loss of FFr179m in 1991, including a FFr310m provision against property risks. This year property provisions are expected to be smaller.

JCI gold division lifts after-tax profit to R70.9m

By Philip Gawith in Johannesburg

IMPROVED performances from Randfontein and Western Areas helped the gold division of Johannesburg Consolidated Investments (JCI) lift after-tax profits by 19 per cent to R70.9m ($25.9m) in the June quarter.

Profits at Randfontein rose to R55.7m from R50.3m. At Western Areas profits increased steeply to R9.4m from R1.9m.

Mr Bill Nairn, managing director of the gold division, said Randfontein's grade, which improved to 3.67 grams a tonne (from 3.6 grams), was at its highest level since 1987. But a 5.8 per cent decline in ore mined from underground saw total production fall to 7,817kg from 8,014kg.

At the net level, the gold division's results were boosted by a R13m drop in the tax bill, associated with an increase in capital expenditure.

Western Areas had an excellent quarter for production, lifting its grade by 15.4 per cent to 5.99 grams a tonne, thanks to concentration on quality ore and improved productivity. This helped convert a R5.4m working loss on gold production last quarter into a R700,000 profit.

NOTICE

WORLDINVEST INCOME FUND

DECLARATION OF DIVIDEND No. 31

The Trustees of the WorldInvest Income Fund are pleased to announce an interim US$6.50 per share distribution to Shareholders in respect of the half-year period from December 30, 1991 to June 24, 1992.

Coupon Number 31, and any previously unpresented coupons, may be presented for payment on or after August 3, 1992 to:

BankAmerica Trust Company (Jersey) Limited, PO Box 120, Union House, Union Street, St. Helier, JERSEY, Channel Islands

Payments will be made subject to any applicable fiscal or other regulations within fourteen days of such presentation.

SPECIAL NOTICE
WorldInvest Income Fund ("the Fund")

The Manager of the above Fund, WorldInvest (Managers) Jersey Limited ("the Manager") has decided to make certain changes in the way in which the Fund is administered and the Trustee, the Royal Bank of Scotland Trust Company (C.I.) Limited, has given its approval in principle to the changes. Subject to the necessary amendments being made to the constitutional documents of the Fund it is proposed that the following will be implemented with effect from September 30th 1992.–

1. **Introduction of registered units.**
The Fund will cease to issue bearer units and will issue only registered units.
The Manager recommends that Unitholders should take advantage of the opportunity to exchange their present bearer units for registered units. Accordingly, Unitholders are recommended to surrender their existing certificates in favour of a contract note showing their registered holding.
The bearer certificates should be sent, on or after September 30th, 1992, to the Manager at PO Box 120, Union House, Union Street, St. Helier, Jersey, Channel Islands. Upon receipt of these documents the Manager will prepare and despatch contract Notes showing the registered holding together with dividend mandates.
It is to be stressed that such a change from bearer to registered status is not compulsory. The Manager will maintain both bearer and registered records of units in issue at least until such time as all bearer certificates have been voluntarily surrendered. There will not, however, be an option for new applications to be processed on a bearer basis.

2. **Share fractions.**
The Fund will have the facility to issue fractions of units. This will mean that on an initial subscription into the Fund fractions of a unit may be issued as may they also on the occasion of reinvestment of dividends.

WorldInvest (Managers) Jersey Limited
Manager 22 July, 1992

THE ESTABLISHMENT TRUST, SICAV
Registered Office: Luxembourg,
13, rue Goethe, R.C. Luxembourg
B21.743

DIVIDEND NOTICE

At the meeting of shareholders held on 16th July 1992 it was resolved to pay a dividend of US$0.05 per share to shareholders on record on 16th July 1992 and to holders of bearer shares upon presentation of coupon No. 7 payable on or after 23rd July 1992 with shares being quoted ex-dividend as from 17th July 1992.

Paying Agent:
Bank of Bermuda (Luxembourg) S.A.
13, rue Goethe
L-1637 Luxembourg

16th July 1992

For The Establishment Trust, SICAV
Bank of Bermuda (Luxembourg) S.A.

Manufacturers Hanover Corporation
U.S. $100,000,000
Floating Rate Subordinated Notes due 1997

In accordance with the provisions of the Notes, notice is hereby given that the Notes will carry an interest rate of 5⅓% per annum for the period 21st July, 1992 to 21st October, 1992 with a coupon amount of U.S. $134.17 for the U.S. $10,000 denomination and U.S. $3,354.17 for the U.S. $250,000 denomination and will be payable on 21st October, 1992 against surrender of Coupon No. 29.

Bankers Trust Company, London Agent Bank

Toyota Motor Credit Corporation
FF 1,500,000,000
9½% Notes Due 1995
(the "Notes")

Reference is made to the Fiscal Agency Agreement (the "Agree*ment") dated April 9, 1992 pursuant to* which the Notes were issued. Notice is hereby given that Section 4(b) of the Agreement has been amended to change the definition of the "Exchange Date" with respect to the issuance of further interchangeable/assimilable notes.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

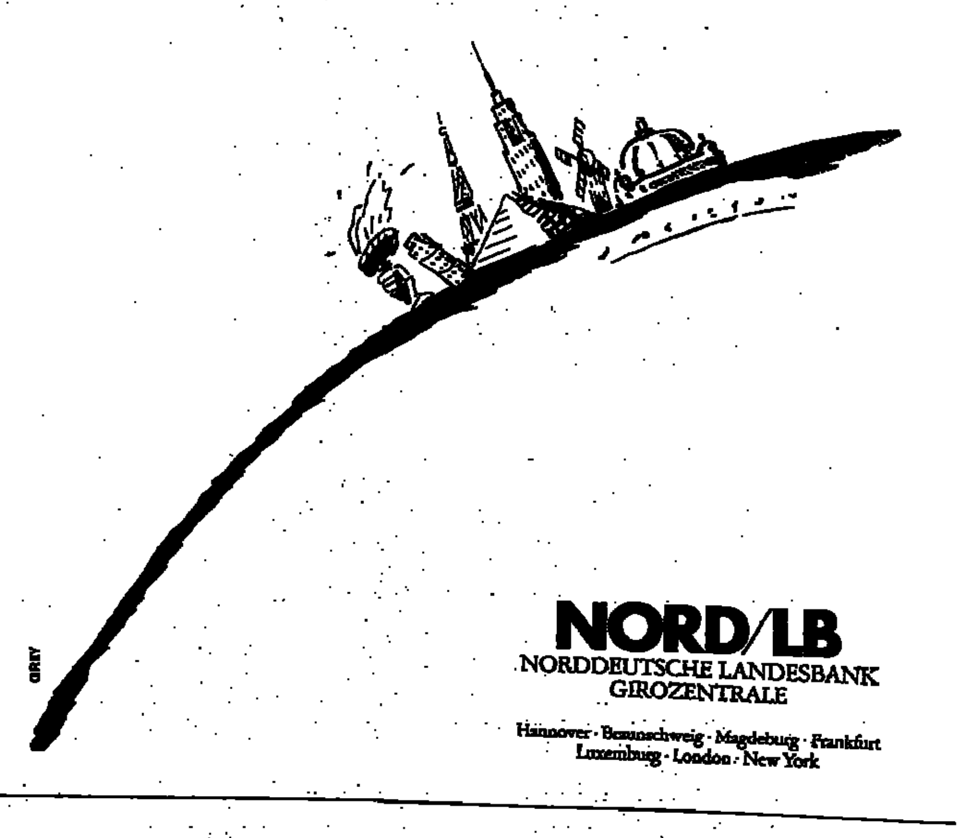
1/2 hour period ending	Provisional Price for Trading on 22.07.92: Pool purchase price £/MWh	Final Prices for Trading on 24.06.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	21.18	19.66	21.39
0100	17.77	19.44	21.16
0130	17.69	19.44	21.16
0200	17.69	19.44	21.16
0230	17.69	19.44	21.16
0300	17.69	19.44	21.16
0330	17.69	19.44	21.16
0400	17.69	19.44	21.16
0430	17.69	19.44	21.16
0500	17.77	19.26	21.00
0530	17.70	17.51	17.51
0600	17.70	19.66	21.39
0630	17.77	19.66	21.40
0700	21.76	22.12	23.97
0730	22.75	22.74	24.58
0800	24.93	25.07	26.96
0830	25.69	26.86	28.82
0900	27.62	27.91	29.75
0930	28.18	27.91	29.77
1000	28.22	26.97	28.80
1030	28.22	26.97	28.79
1100	28.19	26.20	27.99
1130	28.22	26.20	28.00
1200	28.24	26.97	28.78
1230	28.23	26.97	28.78
1300	28.16	26.96	28.77
1330	28.08	26.19	27.99
1400	27.56	26.05	27.85
1430	25.69	26.05	27.85
1500	25.69	25.08	26.86
1530	25.69	25.08	26.86
1600	28.04	25.82	27.62
1630	28.10	29.27	31.15
1700	28.12	29.28	31.13
1730	28.10	29.27	31.13
1800	28.04	29.27	31.14
1830	25.58	24.82	26.61
1900	25.20	24.82	26.62
1930	25.03	24.82	26.63
2000	24.54	23.95	25.76
2030	22.91	23.95	25.76
2100	22.91	22.92	24.71
2130	27.99	22.92	24.71
2200	28.00	29.00	30.90
2230	28.00	29.00	30.98
2300	27.39	29.00	30.96
2330	22.31	22.74	24.54
2400	21.78	20.99	22.75

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

©NGC Settlements Limited 1992

BANK ON A BANK WITH FAR SIGHTEDNESS.

The world does not stop at the horizon. This basic principle has never had more truth than today. The world is getting smaller and markets grow together. Even so the overall picture must be kept in view whether it's with creative minds or with computers. Because the better our overall picture, the more promising the perspective. Bank on our far sightedness.



NORD/LB
NORDDEUTSCHE LANDESBANK GIROZENTRALE
Hannover · Braunschweig · Magdeburg · Frankfurt
Luxemburg · London · New York

To obtain perfect pension advice here is the perfect answer

Pensions
MANAGEMENT

Available every month at newsagents in financial districts and mainline stations

£2.75

WOOLWICH
- Building Society -

ECU 150,000,000
Floating rate notes
due 1996

Notice is hereby given that the notes will bear interest at 11.15% per annum from 22 July, 1992 to 22 October, 1992. Interest payable on 22 October, 1992 will amount to ECU284.94 per ECU10,000 and ECU2,849.44 per ECU100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

TSB Hill Samuel Bank Holding Company plc
(formerly Hill Samuel Group plc)

US$100,000,000 Class A Floating rate notes due 2016

In accordance with the provisions of the notes, notice is hereby given that for the interest period from 22 July, 1992 to 22 January, 1993 the notes will carry a rate of interest of 3.9375% per annum and that the interest payable on the relevant payment date, 22 January, 1993 will amount to US$201.25 per US$10,000 note and US$5,031.25 per US$250,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

COMPANY NOTICES

First Chicago Leasing FSC, Inc., a U.S. Virgin Islands corporation, is available to arrange leases of U.S. manufactured property to be used predominantly outside the U.S. If interested, please contact the company at:
First Chicago Leasing FSC, Inc.
Citibank Building, Suite 208
St. Thomas, U.S.V.I. 00801

Luke FSC, Ltd., a Bermuda corporation, is available to enter into leasing transactions, as lessor, with respect to U.S. manufactured property to be used outside the U.S. If interested, please contact the company at:
Luke FSC, Ltd.
c/o CODAN Services, Ltd.
Clarendon House
Church Street
Hamilton, Bermuda

Oak Street FSC, Ltd., a Bermuda corporation, is available to enter into leasing transactions, as lessor, with respect to U.S. manufactured property to be used outside the U.S. by any affiliate of John Swire & Sons Limited. If interested, please contact the company at:
Oak Street FSC, Ltd.
c/o CODAN Services, Ltd.
Clarendon House
Church Street
Hamilton, Bermuda

US regional banks extend recovery

By Alan Friedman in New York

THE RECOVERY in US bank earnings was further illustrated yesterday by strong performances from regional banks in the midwest, California and the middle Atlantic regions.

Banc One, the successful Ohio-based institution that has expanded rapidly through acquisitions, yesterday unveiled a 30 per cent increase in second-quarter net profits, to $181m.

Earning per share were 24.3 per cent improved at 87 cents.

Net earnings for the first six months of 1992 were $360m, up by 33.9 per cent on last year's first half.

Banc One's annualised average 1.52 per cent return on assets remained at the highest level of US banks.

Mr John McCoy, chairman, said earnings were helped by a continued strong interest margin, which averaged 6.53 per cent in the second quarter, against 5.83 per cent.

Mr McCoy said asset quality had improved in recent months, with non-performing assets of $621m, up on the level of $514m in the same period last year, but down from the $645m at the end of March 1992.

The bank noted the figures were not directly comparable because of the inclusion since last autumn of banks acquired in Texas.

Bad debt provisions in the second quarter were $107.5m, up from $89.2m, but down from $160.9 at the end of March 1992. Net loan losses were $96m, up from $66.2m a year ago and down from $129.2m at the end of March 1992. Wall Street marked Banc One's share price ⅝ lower to $43⅞.

Wells Fargo, the San Francisco-based bank that saw nearly all of its 1991 profits wiped out by bad debt provisions, continued the solid recovery it began in the opening months of 1992.

Net earnings of $82m or $1.33 per share were dramatically better than the $14m net profit or 21 cents recorded in the second quarter of last year.

The bank said lower bad debt provisions, higher interest income and growth in fee income contributed to the recovery. The bad debt provision was $300m for the second quarter, down from $350m a year ago.

Mr Carl Reichardt, chairman of Wells Fargo who came under regulatory pressure last December to make heavy provisions on property loans, noted that economic conditions remained "tenuous", particularly in California. He said loan demand was still weak and asset quality slow to recover.

For the first six months, net profit was $201m, against $166m last time.

Wells Fargo shares fell $3¼ yesterday, to $69¼.

Mellon Bank, based in the heart of the middle Atlantic regional economy, unveiled a 30 per cent increase in second-quarter net profits, to $90m. Net earnings per share were 18 per cent higher at $1.41.

The bank's non-performing assets decreased by 5 per cent, to $825m, while bad debt provisions were unchanged at $50m and loan losses were $10m higher year-on-year at $66m.

Mellon, which has $30bn of assets, achieved its recovery on the back of 18 per cent higher net interest revenues of $281m and service fee revenues that were 5 per cent better at $199m.

Net profit for the first six months of 1992 was $176m, against $138m last year.

Mellon's share price yesterday stood at $40½, down by $¼.

Insurance side spurs Sears, Roebuck

By Barbara Durr in Chicago

SEARS, Roebuck, the US retail and financial services group, increased second-quarter net income by 15.5 per cent to $345.8m from $299.4m a year ago.

The company's insurance, brokerage and real estate divisions all gained solidly during the quarter, but its struggling merchandise group suffered a 50 per cent drop in income to $78.5m from $156.9m. Merchandise group revenues fell 1.1 per cent to $7.57bn from $7.65bn.

Per share earnings for the period ending June 30 were 90 cents, against 87 cents last year, reflecting the dilutive effect of a stock offering. Revenues rose 1.3 per cent to $14.27bn from $14.09bn.

Mr Edward Brennan, Sears chairman, said the slower pace of the US economic recovery and intense retail competition resulted in lower gross margins.

The merchandise group also lost revenues following a scandal involving its automotive repair shops and accusations of unneeded repairs. The matter is being investigated in several states and Sears has had to expend considerable funds on advertising to explain its side of the story.

The merchandise group's results were also affected by decreases in and changes to the company's catalogue business, including a $20.2m pretax expenses to close catalogue pick-up counters in its stores.

Second-quarter income at Allstate Insurance rose 68.3 per cent to $235.3m from $139.8 last year. Revenues were up 4.4 per cent to $5.02bn from $4.81bn.

The Dean Witter Financial Services Group reported income of $97.9m, up 8.1 per cent from $90.6m. Revenues were up 4.9 per cent to $1.28bn from $1.22bn. Coldwell Banker, which handles residential real estate, reported income of $10.3m, turning round a year-ago loss of $3.1m. Revenues were up 4 per cent to $455m from $437.7m.

For the first six months, consolidated net income rose 24.4 per cent to $667.6m from $536.6m last year, partly reflecting the company's success in cost cutting. Earnings per share were $1.79 against $1.56.

Capital Cities/ABC lifted by special item

By Alan Friedman

A ONE-TIME gain on the sale of its interests in a German television network helped lift second-quarter net earnings at Capital Cities/ABC, the US television and newspapers group.

The company, which includes the ABC Television network, lifted net profits to $147.4m, against $127.8m in the second quarter of 1991. Earnings per share were $8.84, or 16 per cent higher than $7.60 a year ago.

The net gain of $24.9m was struck on the sale of interests in Tele-5 of Germany – after being partly offset by losses incurred in the disposal of New York property holdings and asset write-downs.

Had the one-time net gain been excluded Capital Cities/ABC would have achieved 7 per cent higher earnings per share of $8.16.

Net revenues were 2 per cent ahead at $1.39bn, while operating income was 8 per cent higher at $268.7m.

Earnings from ABC Television increased modestly, thanks to the absence of staff reduction provisions recorded a year ago.

The network's revenues were slightly better, primarily because of the broadcast of the Academy Awards ceremony.

Capital Cities said its broadcasting operations were still being affected by the recessionary environment, while operating income from broadcasting was 3 per cent ahead at $236.6m.

Video operations saw a significant rise in revenues. This was primarily attributed to the ESPN sports cable network.

However, radio revenues were down moderately because of weak demand for radio advertising.

Publishing revenues increased by 5.7 per cent to $273.5m, while operating income from this division, which includes the Fairchild fashion group, was $40.1m, up sharply from $28.1m.

For the first six months of 1992 net profits were $189.3m, 2 per cent higher on the first half of 1991.

On Wall Street, the Capital Cities/ABC share price was $1¼ lower at $444¼ in early trading.

SecPac charges hit Bank of America

By Alan Friedman

BANK OF America has blamed special charges related to its recent takeover of Security Pacific for an 11.8 per cent decline in second-quarter net earnings. The bank is now the second largest in the US, with $188.6bn of assets.

The results – the first since the merger was completed on April 22 – were hit by a net $181m of non-recurring items, including $395m of merger-related restructuring write-offs and a $157m gain on an asset sale.

Because of the charges, Bank of America's net profit in the quarter was $240m, compared with $272m a year ago. Earnings per share were 63 cents, against $1.16. The bank said earnings per share would have been $1.19 but for the one-time charges, while its net income would have been $421m.

The bank stressed that the results were not comparable with results in the same period of last year. However Mr Richard Rosenberg, chairman, said he was pleased with the progress in integrating Bank of America and the former Security Pacific.

Bad debt provisions in the second quarter amounted to $240m against $175m a year ago. For the first six months of 1992, these provisions totalled $470m, compared with $320m in the first half of 1991.

Non-performing assets were $4.56bn at the end of last month, reflecting the problems among combined assets of both banks; the same measure for Bank of America alone was $3.08bn a year ago.

Net loan losses amounted to $194m, up from $169m a year ago. The second-quarter 1992 losses consisted of $402m of write-offs and $208m of recoveries. The write-offs were related mainly to credit card and other consumer loans, and the recoveries mainly to the sale of sovereign debt and recoveries on previous write-offs.

Net income for the first six months of 1992 was $543m, down from $554m last year.

Net interest income after bad debt provisions was $1.44bn, compared with $916m a year ago for Bank of America alone.

Nortel suffers reverse for first time in three years

By Bernard Simon in Toronto

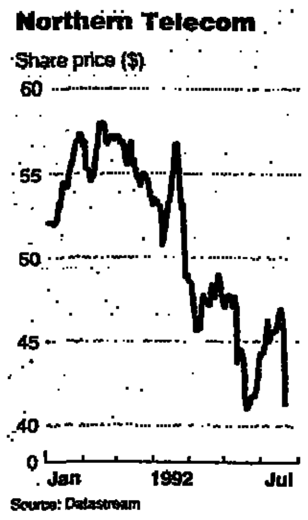
NORTHERN Telecom suffered a one-third drop in second-quarter earnings, the first profit setback for the fast-growing Canadian telecommunications equipment maker in almost three years.

Although a decline in earnings was expected, the size of the drop took investors by surprise. Nortel's share price plunged by C$5.38 to C$40 in early trading on the Toronto Stock Exchange yesterday, but recovered part of the loss later.

Second-quarter earnings were US$72.3m, or 28 cents a share, down from US$106.5m, or 42 cents, a year earlier. Revenues dipped to $1.95bn from $2.1bn.

The company ascribed the setback to the disposal of several businesses which it bought as part of the acquisition of Britain's STC in early 1991.

This was as well as deferred orders for central office switches by US regional telephone companies, which are among its biggest customers.



Source: Datastream

The drop in revenues was also due to the accounting treatment of sales by Motorola-Nortel, a joint cellular-phone venture which started operations in the US earlier this year.

Dr Paul Stern, chairman, said he was disappointed by the results, but noted that orders climbed by 6 per cent in the latest quarter, reaching a record backlog of over $3bn on June 30.

He said the company had recently won substantial contracts in the US, Canada, Australia, Korea and Spain.

One Toronto analyst said investors were especially unsettled by a "serious deterioration" in gross margins from almost 41 per cent to 39 per cent, and an increase in research and development spending from 12.2 per cent of revenues to 13 per cent.

However, he added that Nortel appeared to be maintaining market share and remained "an extremely strong competitor".

It had focused for the past two years on reducing its dependence on North America through expansion overseas. Besides the STC acquisition, it unveiled an alliance last month with Matra, the French telecommunications and electronics group.

Smith Corona to close its last US typewriter manufacturing plant

By Martin Dickson in New York

SMITH Corona, the manufacturer of portable typewriters which has spent years fighting alleged Japanese cut-price "dumping" of products in the US, announced yesterday it was closing its last US manufacturing plant and relocating production to Mexico to save costs.

The news came as Smith Corona, 48 per cent owned by Britain's Hanson, announced a rise in fourth-quarter net income from $2.3m, or 8 cents a share, to $6m, or 20 cents a share. Net sales were up from $77.2m to $86.2m.

Smith Corona said it would phase out manufacturing operations at Cortland, in New York state, over 12 months, with a loss of 775 full-time and 100 part-time jobs. Some 370 engineering, design and administrative workers will remain in Cortland.

The move will cost $15m pre-tax, of which $9m will be recorded in a special charge in the first quarter. However, the company expects to save $15m on an annual basis in manufacturing costs.

Smith Corona's battle against alleged dumping has brought the company several legal victories, but little practical benefit in the market place. However, the struggle may have encouraged Japanese typewriter and word processor companies to establish assembly operations in the US.

Brother Industries, the main target for Smith Corona's action, has even accused the US company of dumping itself, since Smith Corona now has a large manufacturing operation in Singapore. Brother is likely to redouble these accusations over the Mexican move.

Mr Lee Thompson, Smith Corona's chairman, said the move was being made very reluctantly but was "absolutely necessary in view of the predatory pricing by foreign competition in our industry."

"The last US factory of the last American consumer typewriter company is closing, forced to move as a direct result of these competitors openly thumbing their noses at our trade laws."

Criticising the US Government's "unwillingness" to enforce the trade laws, he said the company would continue to use its US suppliers, so the US content of its machines would continue to be higher than those of its competitors.

Mr Thompson said that in the fourth quarter the company increased unit sales and revenues of both typewriters and personal word processors. International sales benefited from sizeable shipments to a large European distributor. However, there were signs of recovery in the domestic market.

For the full year, the company reported net income was $22.1m, or 73 cents a share, on sales of $371.7m, against $19.6m, or 65 cents, on sales of $383.4m.

GROUP GOLD MINING COMPANIES

Summary of reports: quarter ended 30 June 1992

Randfontein Estates

The Randfontein Estates Gold Mining Company, Witwatersrand, Limited
Registration number 01/00251/06

	Quarter ended 30.06.92	Quarter ended 31.03.92	Year ended 30.06.92
Ore milled: tons (000)	2 130	2 227	8 736
Yield: grams per ton	3,67	3,60	3,59
Working cost – per ton milled	R94,15	R93,31	R93,62
	R000	R000	R000
Net profit after tax	55 651	50 293	197 764
Capital expenditure	36 818	23 914	115 819
Dividends	36 681	—	51 965

Western Areas

Western Areas Gold Mining Company Limited
Registration number 58/03209/06

	Quarter ended 30.06.92	Quarter ended 31.03.92	Year ended 30.06.92
Ore milled: tons (000)	496	537	2 170
Yield: grams per ton	5,99	5,19	5,29
Working cost – per ton milled	R203,32	R182,24	R181,79
	R000	R000	R000
Net profit	9 360	1 854	22 035
Capital expenditure	8 185	20 678	33 376

Certain off-balance sheet leases which matured at the end of the second quarter were re-negotiated for periods of 2 to 5 years. These liabilities have been treated as capitalised financial leases in accordance with required accounting practices which call for these leases to be incorporated in the balance sheet before June 1993. Other capitalised off-balance sheet leases which matured during the fourth quarter have been paid and capitalised.

H. J. Joel

H. J. Joel Gold Mining Company Limited
Registration number 85/01995/06

	Quarter ended 30.06.92	Quarter ended 31.03.92	Year ended 30.06.92
Ore milled: tons (000)	242	242	1 001
Yield: grams per ton	5,98	6,45	5,90
Working cost – per ton milled	R173,95	R178,70	R180,00
	R000	R000	R000
Net profit	5 870	7 455	14 416
Capital expenditure	3 620	5 439	20 431

All figures are unaudited. Quarterly reports have been mailed to the shareholders of each company. Copies of the reports may be obtained from Barnato Brothers Limited, 99 Bishopsgate, London, EC2M 3XE.

Johannesburg
22 July 1992

GTE registers 13% gain after Contel takeover

By Martin Dickson

GTE, the largest local telephone company in the US, yesterday reported a 13 per cent increase in second-quarter earnings, helped by volume growth in its telephone business and efficiency gains from last year's $6bn takeover of telecommunications group Contel.

The company reported earnings of $446m, or 49 cents a share, from continuing businesses, compared with $394m, or 44 cents, last year. Revenues and sales rose from $4.85bn to $5.06bn.

The figures, in line with market expectations, do not include the group's electrical products business, which it has put up for sale.

The company's local telephone operations reported operating income 9 per cent higher at $1.02bn, although the increase totalled 5 per cent when a $30m 1991 provision was stripped out.

Revenues totalled $3.98bn, up from $3.85bn, thanks to a 7 per cent increase in usage of the company's local network for long distance calling and a 3.7 per cent annual increase in access lines. These increases were partly offset by lower tariffs charged by long-distance carriers for access to its local network.

Its telecommunications services and products business produced operating income of $65m, up from $42m, on revenues 8 per cent higher at $1.09bn.

Its cellular telephone business produced revenues of $252m, up 30 per cent. Some 56,000 cellular customers were added during the period, bringing the total to 920,000, up from 682,000 a year ago. Average revenues per subscriber rose slightly from the previous quarter to $78 a month.

For the six months income from continuing operations were $873m, or 96 cents, against $591m, or 65 cents, a year ago, when it took a 23 cents a share charge against earnings. Revenues totalled $9.89bn, up from $9.54bn.

Japanese rail flotation comes under pressure

By Emiko Terazono in Tokyo

PLANS to float East Japan Railway (JR East), part of the former state-run Japan National Railways (JNR), have triggered concern in the Tokyo stock market.

The Japanese transport ministry and JNR Settlement Corporation, which took over the debts of JNR, plan to offer a tranche of the 400m government-held shares during the year to March 1993. However, the decision comes as steep falls in Japanese stock prices have dented investor confidence.

Mr Minoru Nagaoka, Tokyo stock exchange chairman, expressed his worries yesterday, following an announcement by an advisory committee to JNR Settlement, recommending at least one of its six railway companies be listed this year.

"Japan's stock market sentiment is not sufficient enough to absorb the heavyweight Japan railway stocks," he said.

Adverse market conditions have held up the flotation plans, originally slated for the last fiscal year. In 1987, the railway operations of JNR were split into six regional passenger railway companies, while most of the assets and debts were passed on to JNR Settlements.

Investor confidence has been hit by the sharp declines in the shares of Nippon Telegraph and Telephone (NTT), the former government-owned telecommunications company, listed in 1986.

The number of shares and offer price are yet to be decided. The advisory council proposed the proportion of JNR shares auctioned in order to fix the public sale price should be higher than that of the first public sale of NTT shares.

Japanese brokers believe JR East's shares, with a face value of Y50,000 ($207) are worth about Y200,000.

However, Mr Keiwa Okuda, transport minister, expressed dissatisfaction of such estimates, and added the shares should be sold for the highest price possible. The advisory council has recommended that the shares be made available to foreign investors.

Spin-off boosts net income at Union Carbide

By Alan Friedman

UNION CARBIDE, the US chemicals company, recorded a 46 per cent rise in second-quarter net income, to $73m.

The company was at pains, however, to separate its $37m second-quarter net earnings from continuing operations, against $18m a year ago.

On June 30, Union Carbide completed the spin-off of Praxair, its former industrial gases subsidiary. This business produced $34m of net income in the second quarter, compared with $28m a year ago.

Overall earnings per share in the second quarter were 51 cents, up from 35 cents a year ago. Earnings from continuing operations were 28 cents, against 13 cents.

Total net sales for the Connecticut-based chemicals company were little changed at $1.26bn, against $1.21bn.

Mr Robert Kennedy, chairman, said the results reflected continuing efforts to drive down fixed costs. He said polyethylene and ethylene glycol volumes were better than last year, but added that margins continued to be tight in these markets.

Pharmaceuticals groups put up strong profits show

By Karen Zagor in New York

PFIZER, one of the biggest US drugs companies, yesterday posted a 14 per cent improvement in second-quarter net earnings on sales which rose only 4 per cent.

Net income for the quarter was $203.8m, or 61 cents on sales of $1.69bn, against earnings of $179.1m, or 53 cents, on sales of $1.63bn a year earlier.

Pfizer, which has divested or closed several businesses in the past two years, said sales from on-going operations rose 13 per cent in the latest quarter while net income from those operations increased 10 per cent.

The sale of Pfizer's Coty fragrance and cosmetics business contributed a $3m after-tax gain in net income and $56.5m in restructuring credits to operating income.

Sales of new pharmaceutical products contributed to a 17 per cent improvement in pharmaceutical sales growth in the quarter. The company said the improvement was almost entirely due to higher volume, since no pharmaceutical prices were increased in the quarter.

Second-quarter earnings from Johnson & Johnson, the US healthcare products and pharmaceuticals group, were also strong. Net income rose 14 per cent to $464m, or 70 cents a share from $406m, or 61 cents a year ago. Sales increased about 13 per cent to $3.41bn from $3.03bn.

For the first six months, net income rose about 13 per cent to $928m, or $1.40, from $824m, or $1.24 last year. Sales were 10 per cent higher at $3.34bn from $3.08bn.

Sales growth was led by Johnson & Johnson's profession segment, which includes products used in less invasive surgery, where domestic sales rose 17 per cent and overseas sales advanced 15 per cent.

Warner Lambert, another large US pharmaceuticals company, posted net earnings of $178m, or $1.32 a share, up 15 per cent, on the back of an 11 per cent improvement in sales to $1.37bn. A year earlier, the company had net income of $155m, or $1.15, on sales of $1.24bn.

For the first half of 1992, net income was $341.5m, or $2.54, compared with $188.1m, or $1.40, a year earlier. The previous year's results were distorted by an after-tax charge of $106m, or 79 cents a share, related to an accounting change. Sales in the six months were $2.68bn against $2.46bn.

Weyerhaeuser earnings soar by 44%

By Martin Dickson

WEYERHAEUSER, the US forest products group, yesterday reported a 44 per cent increase in second-quarter earnings, helped by high timber prices and improved productivity.

The company reported net earnings of $92.9m, or 45 cents a share, up from $64.5m, or 32 cents, in the same period of last year. Sales were up 2 per cent at $2.3bn.

Mr John Creighton, president, said the figures reflected "a slowly improving economy and solid accomplishments within our business improvement plans".

The company's forest products division was helped by the controversy over saving the Northern Spotted Owl, which has curtailed the supply of timber from public lands in the western US and sent the price of supplies rocketing. Operating earnings here were up 13 per cent at $126.5m.

The company's pulp and paper business saw profits rise 84 per cent to $68.3m, helped by better pricing of some products, reduced maintenance spending as well as improved productivity in pulp and corrugated box manufacturing.

In the first half the company made $179.5m, or 88 cents a share, compared with $51.4m, or 26 cents, a share after a 1991 accounting change which cut 30 cents a share from the total. Sales were up 4 per cent at $4.5bn.

For the second half, Mr Creighton said lower long-term interest rates should produce some improvement in single family home construction, while no resolution of Northwestern timber shortages should also help keep wood product values strong.

Weyerhaeuser, the largest exporter of US forest products, would also benefit from the weak dollar.

Earnings surge at United Tech

By Martin Dickson in New York

UNITED Technologies, the US technology group which is being restructured, reported second-quarter net income nearly quadrupled from an unusually depressed 1991.

The company announced net income of $166m, or $1.18 a share, compared with $44m, or 28 cents, in the same period of last year. Revenues rose to $5.7bn from $5.4bn. The figures were broadly in line with market expectations.

In last year's second quarter, earnings were abnormally depressed by a $148m pre-tax charge to restructure a contract at Norden, the group's radar system manufacturer.

Mr Robert Daniell, chairman, said the company was seeing strength in three of its business segments – building systems, which includes Carrier, the air conditioning company, and Otis, the elevator group; flight systems, which includes Sikorsky, the helicopter manufacturer; and automotive components.

It was also encouraged by the early results from its restructuring programme, announced last January. So far it has cut the workforce by 4,650 jobs, or 65 per cent of the 1992 goal.

"We are meeting our schedule for restructuring and increased earnings," Mr Daniell said. "We expect additional modest benefits from a slowly improving economy and continuing gains from the restructuring programme."

The company's power segment, the Pratt & Whitney aero-engine manufacturer, reported an operating profit of $116m, down from $123m a year ago. Revenues were unchanged at $1.8bn.

The company said there was a higher contribution from spare parts for commercial engines, and pointed out that the 1991 figure was boosted by some $100m in participation fees for the PW4000 engine.

However, Mr Daniell described the overall condition of the commercial airline industry as "troubling and indicative of continuing financial pressures on the major airlines".

The flight systems business made $65m on sales of $968m, compared with a loss of $72m on sales of $986m; building systems made $164m on revenues of $2.4bn, up from $124m on sales of $2.1bn, and automotive made $38m on revenues of $633m, compared with $28m on sales of $541m.

For the six months United Technologies made $275m, or $1.95 a share, against $84m, or 53 cents, last year while revenues rose to $10.9bn from $10.2bn.

Fruit of the Loom marches ahead

FRUIT of the Loom, a leading US underwear maker, lifted second-quarter net earnings 57.5 per cent to $57m or 75 cents a share from $36.2m or 52 cents a year earlier, writes Barbara Durr.

Sales were $534m, up 14.1 per cent from $468m.

INTERNATIONAL CAPITAL MARKETS

European traders' panic subsides

By Richard Waters in London and Patrick Harverson in New York

EUROPEAN government bond markets recovered yesterday from the panic that shook them at the start of the week. However, volatility persisted in some quarters.

GOVERNMENT BONDS

Longer-dated UK gilts bounced back by a quarter of a point as sterling stabilised on the foreign exchange markets. Although the currency remains firmly at the bottom of the Exchange Rate Mechanism, some observers were already predicting with relief the end of devaluation fears.

The long gilt future on Liffe edged up from 98.15 to close at around 98.22, near its high of the day. Gains among shorter-dated gilts were meagre, reflecting continued pressure in the money markets pending the latest money supply data from Germany.

■ THE Italian government bond market experienced another highly volatile day, although bond prices managed to end the day firmer. The market opened firmly, continuing the trend from Monday afternoon, as traders continued to buy to cover short positions taken on the market. But prices soon slipped.

"Once the shorts had been covered, there was really nothing to support the market," one trader said. The BTP futures contract on Liffe, which had opened at 93.00, fell sharply to 92.15.

Later in the day though, a stronger lira helped the market recover its equanimity, pushing the futures contract back up by almost a full point, to 93.06, by the close.

With the sell-off by foreign investors since the Danish rejection of Maastricht now largely thought to be over, traders expect considerable wariness before international investors return to the Italian market.

■ GERMAN bond prices settled into a tight trading range as the market looked forward to a batch of economic data for a clue as to the Bundesbank's next move on interest rates.

Most expect M3 growth for June, due this week, to come in at about 3 percentage points above the ceiling on the Bundesbank's target range, set at 5.5 per cent. The latest consumer prices figures, the first of which are due at the end of the week, are also expected to show some improvement – though, again, they will remain outside the Bundesbank's target. After a June rise of 4.3 per cent, consumer prices are expected to show a rise of between 3.4 and 3.7 per cent.

Ahead of these numbers, the market remained quiet, with the bund futures contract edging up from 87.13 to 87.17.

■ US Treasury prices were little changed at the long end and slightly easier at the short end after the Federal Reserve chairman, Mr Alan Greenspan, gave little away in his testimony to Congress.

In late trading, the benchmark 30-year government bond was up $\frac{3}{32}$ at $103\frac{21}{32}$, yielding 7.652 per cent, and the two-year note was down $\frac{1}{32}$ at $101\frac{3}{32}$, yielding 4.269 per cent.

The short end eased slightly because some investors thought Mr Greenspan's comments in his Humphrey-Hawkins report indicated that the Fed would not ease monetary policy again in the current business cycle.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.5982	+0.564	8.71	8.89	8.82
BELGIUM		9.000	06/01	100.0500	-	8.99	8.88	8.91
CANADA *		8.500	04/02	105.1300	+0.350	7.74	7.92	8.10
DENMARK		9.000	11/00	98.4500	+0.400	9.26	9.09	9.15
FRANCE	BTAN	8.500	03/97	97.0181	+0.377	9.29	9.10	8.98
	OAT	8.500	11/02	98.6800	+0.360	8.99	8.79	8.84
GERMANY		8.000	01/02	99.1700	+0.120	8.11	8.02	7.97
ITALY		12.000	05/02	91.7600	-0.120	13.99†	13.42	13.20
JAPAN	No 119	4.800	06/99	97.8144	+0.075	5.23	5.37	5.59
	No 129	6.400	03/00	107.0465	+0.281	5.12	5.17	5.60
NETHERLANDS		8.250	02/02	98.9300	+0.100	8.40	8.31	8.28
SPAIN		11.300	01/02	94.1500	-0.200	12.34	11.69	11.51
UK GILTS		10.000	11/96	102-10	+3/32	9.32	9.23	9.17
		9.750	08/02	104-07	+6/32	9.10	9.04	9.17
		9.000	10/08	100-22	+8/32	8.92	8.82	9.05
US TREASURY *		7.500	05/02	104-12	+3/32	6.87	6.98	7.23
		8.000	11/21	103-28	-1/32	7.66	7.69	7.83
ECU (French Govt)		8.500	03/02	94.5700	+0.020	9.37	9.01	8.97

London closing. *denotes New York closing. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Japanese yields tumble as rates ease

By Emiko Terazono in Tokyo and Richard Waters in London

JAPANESE government bonds yesterday reached levels not seen for nearly three years as the Bank of Japan allowed money market interest rates to drift lower.

The tumbling bond yields are the latest sign that investors expect the authorities to react soon to the steady weakening of the Japanese economy by relaxing their monetary stance still further.

Yesterday, the yield on the benchmark bond No.129 dropped to 5.11 per cent from 5.17 per cent on Monday. At the same time, the futures contract rose tentatively above the psychologically-important 104.00 level, before slipping slightly.

Further evidence of underlying economic weakness from depressed industrial production, consumer demand, and sluggish monetary growth, is behind the long rally in the government bond market. Yields on the No.129 have fallen over 30 basis points since quarterly GNP figures were announced in mid-June.

The plunge in the stock market, with the Nikkei stock average falling below 16,000 in late-June, also encouraged market participants. Three months ago, as the Nikkei first dived, the bond markets took fright at the state of the Japanese financial system. Since then, bond investors have recovered their equanimity. The slump in stocks has forced life assurers and investment trusts to increase investments in the bond market. Life and non-life insurers, net sellers during the first half of 1991, turned net buyers of Y2,118bn in public and private bonds.

Investment trusts bought a net Y1,909bn, as a bulk of new funds were bond funds, reflecting the decline in investor confidence among individuals. Foreign investors purchased a net Y4,983bn, mostly in Treasury bills.

Bond market participants have also been focusing on the yield gap to have emerged among bank debentures, issued by the three long-term credit banks – Industrial Bank of Japan, Long Term Credit Bank and Nippon Credit Bank.

Yields on the debentures have traditionally been the same, and were considered by institutional investors as interchangeable. However concerns over the deteriorating loan portfolio at NCB, the smallest of the three banks, have lifted NCB's five-year debenture yield to around 5.3 per cent, 20 basis points higher than IBJ's.

The three long-term credit banks have been responsible for most of the long-term industrial financing since 1945, and have been allowed to issue debentures to procure long-term funds.

The yield differentials point to the growing maturity of the bank debenture market, as investors become more aware of credit risk, said Mr Marshall Gittler, fixed income analyst at Merill Lynch in Tokyo.

While investors are looking for the Japanese discount rate to fall further, last week's rise in the German discount rate has raised uncertainty over the timing of monetary easing due to the effects on currency movements. Economists believe the Bank of Japan will be reluctant to move until the government decides on its fiscal stimulus package.

Bank's note auction shows Ecu weakness

By Simon London

THE BANK of England yesterday completed an auction of Ecu500m three-year Treasury notes, although at far higher interest rates than the last auction in April.

Around 80 per cent of the notes on offer yesterday were sold at a yield of 10.04 per cent. The highest yield accepted at the first auction of Ecu1bn notes in January was 8.6 per cent, rising to 8.87 per cent in April.

The results underlined the dramatic reversal in the Ecu bond market since its peak at the end of last year. Ecu bonds have under-performed the government bond markets of the countries which make up the Ecu currency basket.

In December, three-year Ecu bonds were yielding 85 basis points less than the "theoretical" basket of underlying government bonds suggested they should, reflecting the strength of demand for Ecu-denominated securities.

Yesterday, this differential had narrowed to 30 basis points. At the longer 10-year maturity, Ecu bonds now yield more than the theoretical level for the first time since January 1990.

However, although yields have risen in line with the secondary market, demand for short-dated Ecu bonds remains buoyant. The Bank of England yesterday received bids for Ecu1.26bn notes, covering the paper on offer by 2.5 times.

Funds raised from the auction will bolster the government's foreign exchange reserves, rather than funding the public sector borrowing requirement.

According to the prospectus issued late last year, the next auction is due October 20. The Bank of England is unlikely to cancel an auction, but it can reject all the auction bids if it believes the prices offered by investors are too low.

The Bank believes that issuing Ecu notes still makes sense, and that the three-year note programme improves the liquidity of the Ecu bond market in London.

American Express poised for $1bn asset-backed deal

By Simon London

AMERICAN Express is next week expected to launch a $1bn global asset-backed bond issue, its first bond offering backed by charge card debt.

The deal will be lead-managed by Lehman Brothers, a subsidiary of the credit card group. Bankers were yesterday anticipating a deal comprising two $500m tranches of five-year and seven-year paper.

The deal is likely to be structured as a global bond issue, with registered bonds traded simultaneously in the US, Eurobond and east Asian financial markets.

Citicorp has already used global asset-backed bonds to securitise credit card debt. However, the assets backing the American Express deal will have slightly different characteristics. Charge card holders are not allowed to maintain unpaid balances. American claims a lower default rate than on credit cards.

INTERNATIONAL BONDS

Elsewhere, Nationwide Building Society yesterday raised £100m capital from an issue of 15-year subordinated bonds, callable after 10 years.

Nationwide will pay a punitive rate of interest if the call option is not exercised, so the the deal was viewed as a 10-year issue, yielding 135 basis points more than gilts of the same maturity. If the bonds are not called, the coupon will be raised to a level where the yield is 250 basis points over gilts.

The structure is designed to ensure that Nationwide can count the full £100m as capital for 10 years. The Building Societies Commission, the industry regulator, demands that subordinated bonds gradually cease to count as capital in the five years prior to maturity.

The deal, lead-managed by Credit Suisse First Boston, was seen as aggressively-priced by some sterling bond underwriters. Outstanding Nationwide eight-year subordinated paper trades at a yield spread 150 basis points over gilts. Subordinated debt issued by building societies of similar credit quality trades at a lower yield spread than yesterday's issue.

Two Japanese companies launched equity warrant bond issues, in a rare flurry of activity in the sector. Penta-Ocean Construction launched a $200m issue lead-managed by Yamaichi International, while Kuraray raised $150m and SFr100m via Daiwa Europe and Crédit Suisse.

The two Eurodollar issues saw strong demand trading up to $103\frac{1}{4}$ bid and $102\frac{3}{4}$ bid respectively, both from an issue price of par. The deals benefited from the paucity of new issues this year.

The bonds carry a coupon of only 2.25 per cent, but in most cases the warrants to buy shares are stripped from the bonds and sold separately. Once stripped, the bonds trade at around 86 per cent of face value, for a yield of around 6.25 per cent.

Although yesterday's performed well, bankers do not expect a flood of new deals.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Penta-Ocean Constn.(a)♦	200	2.25	100	1996	2.25/1.5	Yamaichi Intl (Eur.)
Kuraray Co.(a)♦	150	2.25	100	1996	2.25/1.5	Daiwa Europe
Marble 1(e)‡†	95	(e)	100	1997	1/0.875	IBJ Intl.
Marble 1(f)‡†	5	(f)	100	1997	1/0.875	IBJ Intl.
STERLING						
Nationwide B.S.(b)†	100	10.5	100.10	2007	2/1.75	CSFB
YEN						
SXL Corp.(c)†	15bn	5.35	101.00	1996	1.625/1.3	Yamaichi Intl.
D-MARKS						
N.E.Finance of Japan(a)†	200	8.4	102.40	1999	2.25/1.375	Deutsche Bk.
SWISS FRANCS						
Kuraray Co.(d)♦★★	100	3.75	100	1996	-	Credit Suisse

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Subordinated issue. Callable on 30.7.2002 at par. If call is not exercised coupon will be re-set to yield 250bp over 9% 2008 gilt. c) Put option on 13.11.95 at par. d) Callable on 6.8.94 at par and on 6.8.95 at 100.50pc. e) Tranche A of $100m deal. Coupon pays 120bp over 6-month Libor and payable semi-annually. Put option from July 1994. f) Tranche B of $100m deal. Coupon pays 60bp over 6-month Libor and payable semi-annually. Put option from July 1994.

Deutsche Bank to merge businesses

By Richard Waters

DEUTSCHE Bank is to amalgamate its futures and options broking businesses in London as part of a move to build its small market share of derivatives trading.

The bank said yesterday it was merging activities undertaken in Deutsche Bank's name in London with those of Morgan Grenfell, its merchant banking subsidiary. The merger affects only exchange-traded instruments, not over-the-counter ones.

Each part of the group currently maintains around 12 people on the floor of the London International Financial Futures and Options Exchange. Deutsche Bank has specialised in D-Mark products and Morgan Grenfell in sterling, though moves into other currencies have created overlaps between the two sides.

The merger was intended to improve economies of scale, said Mr John Lake, a managing director of Deutsche Bank in London.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 21

U.S. DOLLAR STRAIGHTS / OTHER STRAIGHTS / DEUTSCHE MARK STRAIGHTS / FLOATING RATE NOTES / SWISS FRANC STRAIGHTS / CONVERTIBLE BONDS / YEN STRAIGHTS

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month) above mean rate for US dollars. C.cpn = The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

© The Financial Times Ltd., 1992. Reproduction in whole or in part in any form not permitted without written consent. Data supplied by International Securities Market Association.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	56	16	10
Other Fixed Interest	4	2	9
Commercial, Industrial	216	298	924
Financial & Property	122	107	565
Oil & Gas	13	17	56
Plantations	0	0	9
Mines	54	17	78
Others	74	12	51
Totals	539	469	1.702

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings July 20
- Last Dealings August 1
- Last Declarations October 15
- For settlement October 26

3-month call rate indications are also shown on this page.

Calls in: Diploma, Euro Disney, Lloyds Chemist, MGN, ML Labs, Medeva, Ossory, Pentos, Western Mining, W[illegible] and WPP.

LIFFE EQUITY OPTIONS

[illegible]

July 21 Total Contracts 46,759 (50,105)
Calls 33,846 (20,974) Puts 12,913 (29,131)
FT-SE Index Calls 2,254 (10,767) Puts 2,748 (15,536)
Euro FT-SE Calls 491 (419) Puts 1,1?62 (4,258)
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.
Figures in brackets are the totals for the 20/07/92.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p
Allied-Lyons	48
Amstrad	6
Astec (BSR)	3
BAT Inds	58
BOC	63
BTR	35
Barclays	29
Blue Circle	24
Boots	34
Bowater	60
Brit Aerospace	26
British Steel	7
Charter Cons.	37
Comm Union	34
Courtaulds	43
Eurotunnel	32
FKI	6
FNFC	7
Forte	19
GKN	33
Gen Accident	38
GEC	17
Glaxo	52
Grand Met	38
GRE	13
[illegible]	18
[illegible]	95
Ladbroke	18
Legal & Gen	29
Lex Service	22
Lloyds Bank	32
Lonrho	12
Lucas Inds	12½
Marks Spencer	27
Midland Bank	30
NatWest Bank	26
P & O Dfd	37
Racal Elect	5½
RHM	18
Rank Org	55
Ratners	3
Reed Intl	44
Sears	8½
SmKl Bchm A	60
TI	55
TSB	11½
Tesco	22
Thorn EMI	63
T & N	11½
Unilever	70
Vickers	15
Wellcome	75
■ PROPERTY	
Brit Land	18
Land Sec.	30
MEPC	28
Mountleigh	1½
■ OILS	
Aviva Pet	25
BP	18
Burmah Castrol	48
Conroy Pet	8½
Gaelic Res	½
Premier Cons	2¾
Shell	35
Tuskar Res	½
■ MINES	
RTZ	47

COMPANY NEWS: UK

US side holds Prudential back

By John Authers

EXCHANGE RATE factors restricted Prudential, the UK life assurance company, to a slight fall in new business during the first six months of this year, according to figures released yesterday.

In sterling terms, worldwide annual premium business fell slightly to £310m (£315m) while single premiums were static at £1.84bn. Both figures would have shown an increase in constant exchange rate terms.

Interest centred on the figures for Jackson National, the US life insurance company which Prudential bought in 1986, where new business figures fell sharply. In sterling terms, annual premiums fell from £48m to £30m, and single premiums from £851m to £519m.

Mr Mick Newmarch, group chief executive, said: "Low US interest rates have made the market for fixed interest annuity products much more difficult. However, the decline also reflects a planned slow-down by Jackson in the sales of term assurance business."

Analysts had been worried that Jackson, a market-driven company, had been expanding too fast, and welcomed these figures, although US business dropped more than had been expected.

Jackson concentrates on term assurance because it offers an easy way for its sales representatives to make new contacts. However, the Prudential said that it was unhappy with the low profit margins generated by the business, and with the high initial commissions paid to salesmen. It was therefore glad to see the amount of term business decrease.

Annuities also suffered. Annuity rates tend to be closely linked to base rates, which are low in the US. This has prompted investors to buy mutual funds – the US equivalent of unit trusts. The Prudential said "the rates on offer from the annuity bond were quite attractive. It's just a fashion in the US for mutual funds."

Mr Roman Cizdyn, analyst at Smith New Court, said "it's quite right and proper that you should get a slow down at Jackson National at some time, and make some profit from it. It's shareholder owned and shareholders expect to get something back."

Jackson's figures concealed strong growth in the UK, where annual premium business increased by 6 per cent to £172m – following a slight fall over 1991 as a whole – while single premiums increased 56 per cent to £1.06bn.

The figures were in part aided by the recession as consumers made conservative investment decisions.

The Prudence Bond, a heavily marketed single premium with profits product, took in £350m and helped single premiums for life and general annuity products to increase almost fivefold from £63m to £361m.

Holmes Protect loses debt in restructuring

By Richard Gourlay

HOLMES PROTECTION, the US security company quoted in the UK, and where Sir Ian MacGregor is chairman, yesterday announced its long-awaited debt restructuring, as part of which it is issuing new shares to raise $37m (£19.3m).

The deal will eliminate $72.6m of loan notes and accrued interest, leaving Holmes almost debt-free with net assets of $42m. In return US institutions currently holding the loan notes will receive at least 19 per cent of the enlarged capital and up to $28m cash.

Existing institutions mainly participated in the restructuring which prices new shares at 62½p, equivalent to 2½p before a 1-for-25 share consolidation which will take place after a special general meeting. The shares fell from 4p to 3½p.

Mr Eric Kohn, chief executive officer, said having sorted out the balance sheet, management could concentrate on the group's operations. "The market is generally difficult in US (where Holmes has most of its activities) but for Holmes it is better because we are in niche markets."

The announcement ends a controversial period in which the previous management defaulted on loan repayments and interest last year after spending $140m on 23 acquisitions in rapid succession.

A new management team, led by Mr Kohn and Sir Ian, a former chairman of British Steel, then led a revolt and was appointed to the board last September.

Yesterday's restructuring was a mixture of firm placing and underwrited open offer for existing shareholders. Of the 41.3m shares to be issued, 5.2m have been firmly placed with institutions. Sir Ian is taking up shares worth $500,000.

The lenders' 19 per cent stake accounts for 7.8m shares. An additional 10.2m shares have been conditionally placed with UK institutions. A further 15.36m shares, which the lenders have in effect agreed to underwrite, will be on offer to existing shareholders at a 1-for-9.36 conversion rate.

The lenders will also receive warrants to subscribe to an additional 5 per cent of the enlarged capital, at the 62½p placing price, and they will receive $2.2m in reimbursement of costs.

In a circular to shareholders, Mr Kohn said the group planned to increase the rate of retention of existing subscribers and better utilise the operating companies' security monitoring capacity.

"We have put the accounting on to a transparent and conservative basis, we have got rid of the debt and we have five excellent operating companies," Mr Kohn said.

Northumbrian Fine Foods passes final

AN EXCEPTIONAL charge of £550,000, against a credit of £410,000 last time left pre-tax profits at Northumbrian Fine Foods 41 per cent lower at £155,000 in the year to March 31, compared with £264,000.

After a tax credit of £119,000 (£117,000 charge) earnings per share came out at 0.97p (0.51p). It is proposed to pass the final dividend leaving the interim of 0.75p for the year compared with last year's uncovered total of 1.75p.

The shares, traded on the USM, lost 6p to close at 22p, the lowest level for the year.

Turnover almost doubled to £16.7m (£8.62m) following the acquisition of John J Lees, Biscuits for the Connoisseur and Cakes for the Connoisseur. Operating profit advanced to £1.13m (£279,000) and the net interest charge was little changed at £423,000 (£425,000).

Mr Kevin O'Keeffe, chairman, said that prudence had dictated substantial adjustments to the Lees balance sheet and goodwill from the Connoisseur acquisitions had been written off. That had left net assets of £6.76m against net borrowings of £5.82m.

He added that trading had been tough in last months of the year and the difficulties had persisted into the first quarter of the present year. However, real signs of recovery were being seen and the impact should be evident by the autumn.

Mr O'Keeffe said the company was still searching for a permanent chief executive following the departure of Mr Richard Adams as chairman and chief executive in June.

The exceptional charge included costs relating to Mr Adams's departure as well provisions for slow moving and obsolete stocks of packaging materials and a discount given to the purchasers of Danish Natural Foods in return for early settlement.

INVESTMENT TRUST DIGEST

Madrid fall reflected at First Spanish

FIRST Spanish Investment Trust, which aims to secure capital appreciation through its portfolio of Spanish equities, showed a near-8 per cent decline in net asset value, from 85.2p to 78.6p, over the year to May 31.

Directors said the fall mirrored that of the Madrid Stock Exchange index, after adjusting for exchange rate movements, and masked an improved performance in the second half of the year.

Net revenue amounted to £420,584 (£354,780) for earnings of 1.19p (1p) per share. The single dividend for the year is raised to 1.15p (1p).

Fleming Overseas net assets dip 10%

The Fleming Overseas Investment Trust saw its net asset value fall by some 10 per cent – from 239.6p to 214.8p – over the 12 months to June 30.

Available revenue totalled £5.31m (£5.15m), equivalent to 4p (3.87p) per share. A same-again final dividend of 2.5p maintains the total for the year at 4p.

Fleming Claverhouse net assets at 337.1p

Net asset value at The Fleming Claverhouse Investment Trust was 337.1p per share at June 30, a marginal improvement of 0.8p on the figure 12 months earlier, but down 2.2p on the trust's year-end value.

Available revenue for the six months to end-June amounted to £985,000, up from £905,000. The interim dividend is held at 5p, again uncovered by earnings of 4.91p (4.52p) per share.

The directors intend to maintain the total distribution for the year at 10.5p.

Net assets up 5.2% at Abtrust Scotland

Abtrust Scotland Investment, which concentrates its portfolio principally in unlisted Scottish companies, reported a net asset value of 32.2p as at May 31 – a rise of 5.2 per cent over the year.

Mr Calum MacLeod, chairman, said the north-east of Scotland had "appeared to have escaped some of the worst aspects of the recession". During the year, the trust committed funding of more than £700,000 to three investments, all in the Grampian region.

Net revenue rose to £258,645 (£223,072), equal to earnings of 0.77p (0.75p) per share on the increased capital. The single dividend for the year goes up from 0.55p to 0.6p.

BOARD MEETINGS

TODAY

Interims- BWD Securities, Fleming American Inv Tst, Fleming Fledgeling Inv Tst, Hemingway Props, Holders Technology, Union Discount.

Finals- AIM, Assoc British Consultants, Border TV, Eve, Grahams Rintoul Inv Tst, Menvier-Swain, Property Security Inv, Rubicon, Verson Intl, Wood (SW).

FUTURE DATES

Interims-

Ansbacher (Henry)	July 30
Britannic Assurance	Aug. 19
Edinburgh Oil & Gas	Aug. 4
Evans Halshaw	Sep 9
Manchester Ship Canal	Aug. 11

Final-

Merrydown Wine	July 27

Cowie letter attacks Henlys' management

By Maggie Urry

THE £25.9m takeover battle between T Cowie and Henlys, both motor traders, intensified yesterday as Cowie wrote to its target's shareholders attacking Henlys' management.

The letter quoted Panmure Gordon, the stockbroker acting for Henlys, saying Cowie shares were cheap. It also quoted Mr Robert Wood, chief executive of Henlys, saying he had a "very high regard" for Sir Tom Cowie, chairman of Cowie.

The letter went on to say that Henlys' management team was not new, as Henlys has said; that it achieves a lower return from its motor dealerships than Cowie does and questioned the ability of Henlys' management to turn round the loss-making bus and coach building business.

Cowie said Henlys had "a failed strategy implemented by a weak management". Cowie's share price fell 2p to 137p, making its all-paper offer worth 68½p per share. Henlys shares were unchanged at 70p.

Mr Wood said that Mr David Matthews, Henlys' former chairman and chief executive, had left the company last November and he had become chief executive then.

Two other executive directors had left last year and, including himself, four board appointments made.

He said that Henlys' and Cowie's motor dealerships were not comparable as Cowie had a substantial leasing business. It was not known how profits were divided between the two activities.

Mr Wood also said that while he respected Sir Tom as a motor dealer, the letter showed that Cowie did not understand manufacturing.

He said he was saddened that the battle had focused on personalities but added that "it suggests their case is not so strong".

Kalon reports heavy interest in Mander Centre

By Peter Pearse

Mr Mike Hennessy, managing director of Kalon, yesterday said that he had been "inundated with inquiries" from companies interested in acquiring the Mander Centre.

This is the office and retail development in Wolverhampton Kalon would own if it was to win its hostile £91.5m battle for rival paint maker Manders (Holdings).

Kalon has frequently said it would not keep the Mander Centre, though it has consistently stressed it would be under no pressure to sell it.

"The gearing of the deal means that it's not essential for us to sell it quickly, or even at all, if conditions don't permit," Mr Hennessy said.

ASH sharply lower at £6.55m as reconstruction gathers pace

By Peter Pearse

Trevor Humphries

Tom Buffett – sale part of a significant refocusing

AUTOMATED Security (Holdings), the electronic security company which is on the verge of selling its loss prevention side for £150m, yesterday reported pre-tax profits more than halved from £13.9m to £6.55m in the six months to May 31.

Mr Tom Buffett, chairman, stressed that the imminent sale to Sensormatic of the US – to be closed between Monday and Wednesday next week – was only part of the significant refocusing the company has undertaken.

There was the sale of the 26.4 per cent stake in Scantronic, the security alarms maker, in April and the rationalisation and reorganisation of the core Security Systems in the UK, which was started in February. The latter was represented in exceptional charges of £4m, which accounted for a substantial portion of the decline in profits, along with a £1.1m rise in interest payable to £8.93m.

The loss prevention sale kills several birds with one stone.

ASH had considered a flotation "*à la* Vodafone" to stymie potential bidders – its rival ADT had taken a 3 per cent stake in spring 1990 – but this came to nothing and a sale was sought.

Aside from this "defensive" function, Mr Buffett said the sale should change the market's perception of ASH as a highly indebted company liable to go the way of "Maxwell, Polly Peck or Brent Walker". All sterling bank borrowings would be eliminated, though dollar borrowings would remain against dollar assets, he added.

The sale would realise an extraordinary profit in the second half of about £80m, give an increase of 70p in assets per share and remove "misunderstood" finance leases from the balance sheet, another City bugbear.

Mr Buffett said that also within two years, Sensormatic and ASH would be "eating each other in Europe"; both companies would have expanded considerably and a later sale would have foundered on competition rocks.

Group turnover in the half slipped to £96.7m (£97.3m), though the latter figure included £2.2m from discontinued businesses. Trading profits fell to £18.6m (£21.1m) and earnings tumbled to 1.9p (7.8p) per share or 4.9p before the exceptional.

Had the sale to Sensormatic gone through within the six months, ASH's half-year figures would have looked better. It has produced pro forma figures to reflect its post-sale position.

These showed a sharp decline in turnover to £65.3m and, after a £7.5m adjustment reducing interest payable to £1.4m, pre-tax profits would have emerged at £8.7m. Pro forma earnings would have worked through at 3.5p, or 6.5p before the exceptional costs.

Because of the Sensormatic sale and the pro forma profits, the interim dividend is lifted to 2.25p (2.07p).

Kleinwort Endowment Trust fully subscribed

By John Authers

KLEINWORT Endowment Policy Trust, an investment trust investing in unmatured endowment policies, was fully subscribed and raised more than £30m at launch, it was announced yesterday.

The maximum size for the trust had been set at £30m due to worries about the total supply of suitable policies in the UK.

Institutions had taken £22.5m in a placing, leaving the balance for private investors and intermediaries. Applications were received for ordinary shares worth £7.88m.

Applicants for up to 250,000 ordinary shares have been accepted in full, while applicants for more than that number shares will receive 70.77 per cent of the total for which they applied.

The launch goes against the recent trend for unsuccessful new issues, although this was partly because the trust's investment policy was regarded as being unusually conservative.

Mr Ben Siddons, chairman of Kleinwort Benson Investment Trust Management, said he was "delighted" by the level of response, and added: "We are very pleased to see that the majority of the money has come from stockbrokers, intermediaries and the public."

Share certificates will be posted on Friday, July 24, and dealings in the shares are expected to start on Monday, July 27.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abtrust Scotland.......fin	0.6†	Oct 1	0.55	0.6	0.55
Auto Security ....int	2.25	Dec 7	2.07	-	4.9
Central Motor § ....int	1	Oct 1	1	-	4
Clayhithe ....fin	1.75	July 24	4.2	2.5	6
First Spanish ....fin	1.15	Oct 16	1	1.15	1
Flem Claverhouse....int	5	-	5	-	10.5
Flem Overseas ....fin	2.5	Oct 16	2.5	4	4
N'umbrian Fine §......fin	nil	-	1	0.75	1.75
Radius § ....int	0.9	Sept 26	0.9	-	2.7
Reuters ....int	5.3	Sept 14	4.7	-	17
SmithKline ....int	2.075‡†	Oct 15	1.875	-	7.7

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Second interim.

Charterhouse Estates in receivership

By Vanessa Houlder, Property Correspondent

Charterhouse Estates and its CEL Liverpool subsidiary, property companies owned by the water authorities' pension fund, have been put into administrative receivership with secured debts of over £10m.

The two companies are involved in inner city regeneration. CEL Liverpool owns several hundred residential and corner shop properties in Liverpool while Charterhouse Estates owns development sites in Southwark, Lambeth and West London.

Mr Chris Barlow, of Cork Gully in London, who with Mr Mark Palios, of Cork Gully in Liverpool, was appointed a joint administrative receiver, said he was unable to put a value on the companies' assets.

"Given the complexity of the property situation and the state of the market, at this stage I cannot be precise about what our strategy for disposing of the properties will be so it is too early to estimate the likely realisation from the property portfolios," he said.

Mr Barlow said the total size of the companies liabilities was unclear.

No. 004790 of 1992

IN THE HIGH COURT OF JUSTICE
IN ENGLAND
Chancery Division

Mr Justice Millett

IN THE MATTER OF
THE MEDITERRANEAN INSURANCE & REINSURANCE COMPANY LIMITED

and

IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that, by an Order dated 20th July, 1992 made in the above matters, the High Court of Justice has sanctioned the Scheme of Arrangement ("the Closing Scheme") between The Mediterranean Insurance & Reinsurance Company Limited ("the Company") and its Closing Scheme Creditors (as defined in the Closing Scheme) so as to be binding on the Company and the Closing Scheme Creditors.

The Closing Scheme became operative on 21st July, 1992.

Any person who is or believes that he may be a Closing Scheme Creditor can obtain copies of the Closing Scheme Claim Form and the Form of Withdrawal from the Company's registered office at Ibex House, 42-47 Minories, London EC3N 1DY or from the office of Clifford Chance, Royex House, Aldermanbury Square, London EC2V 7LD, in each case during usual business hours on any day (other than a Saturday or a Sunday) prior to 18th November, 1992.

Closing Scheme Creditors should note that failure to return the Closing Scheme Claim Form and, if appropriate, the Form of Withdrawal in respect of any Closing Scheme Claim to the Company by 19th October, 1992 in accordance with the provisions of the Closing Scheme may, in certain circumstances, result in such claim being valued at nil.

22nd July, 1992

By Order of the Board
M. Collins
Secretary

THE LEEDS

£200,000,000
Floating Rate Notes Due 1994

Interest Rate: 10.525%

Interest Period:
21st July, 1992 to 21st October, 1992

Interest Amount per £5,000
Note due 21st October, 1992
£132.28

Interest Amount per £50,000
Note due 21st October, 1992
£1,322.81

Agent Bank
Baring Brothers & Co., Limited

Nationwide

£250,000,000
Floating Rate Notes Due 1996
(Issued by Nationwide Building Society)

Interest Rate: 10.475% p.a.

Interest Period:
21st July, 1992 to 21st October, 1992

Interest Amount per £5,000
Note due 21st October, 1992
£131.65

Interest Amount per £50,000
Note due 21st October, 1992
£1,316.53

Agent Bank
Baring Brothers & Co., Limited

NOTICE OF EARLY REDEMPTION

To the Holders of
SECURITIES TRANSFERRED AND REPACKAGED INTO POUND EQUIVALENT SECURITIES LIMITED
£100,000,000
Floating Rate Notes due 1996 (the "Notes")

NOTICE IS HEREBY GIVEN that pursuant to Condition 3(B) of the Terms and Conditions of the Notes, Securities Transferred and Repackaged Into Pound Equivalent Securities Limited ("Stripes"), will redeem all of the outstanding Notes on 28th August, 1992 (the "Redemption Date") at par (the "Redemption Price"). From and after the Redemption Date, interest will cease to accrue on the Notes unless, upon due presentation, payment of principal is improperly withheld or refused. The Notes should be presented for payment of the Redemption Price on or after the Redemption Date. Each Note presented for redemption should be presented together with all unmatured Coupons appertaining thereto. Unmatured Coupons due after the Redemption Date shall become void and no payment shall be made in respect thereof. Coupons due on 28th August, 1992 should be presented and surrendered in the usual manner.

Any Notes presented for redemption missing any unmatured Coupons will only be paid upon the holder providing such security and indemnity as Stripes may require.

Payments in respect of the Notes will be made upon presentation and surrender of the Notes together with unmatured Coupons relating thereto at the offices of any of the paying agents detailed below by a Sterling cheque drawn on or, at the option of the holder, by transfer to a Sterling account maintained by the payee with a Town Clearing Branch of a bank in the City of London and subject to any fiscal or other laws applicable in the place of payment.

Notes and Coupons shall become void unless presented for payment within a period of 10 and 5 years respectively from the payment dates relating thereto.

PAYING AGENTS

Morgan Guaranty Trust Company of New York
60 Victoria Embankment
London EC4Y 0JP

Swiss Bank Corporation
1 Aeschenvorstadt
CH-4002 Basle

Morgan Guaranty Trust Company of New York
Mainzer Landstrasse 46
D-6000 Frankfurt am Main

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
B-1040 Brussels

Morgan Guaranty Trust Company of New York
14 Place Vendôme
Paris 75001

Banque Internationale à Luxembourg S.A.
2 Boulevard Royal
L-2953 Luxembourg

PRINCIPAL PAYING AGENT
Morgan Guaranty Trust Company of New York
60 Wall Street
New York NY 10260
(for payment of principal only)

SECURITIES TRANSFERRED AND REPACKAGED INTO POUND EQUIVALENT SECURITIES LIMITED
By: Morgan Guaranty Trust Company of New York
as Principal Paying Agent
Date: 22nd July, 1992

COMPANY NEWS: UK

Cowabunga! Risc management for Turtles

Michiyo Nakamoto details the growth of a small semiconductor company

THE sophisticated electronics which allowed the film puppet versions of the Teenage Mutant Ninja Turtles cartoon characters to smile and say "cowabunga!" was developed by a small British company based in Cambridge.

Advanced Risc Machines, founded two years ago, developed the reduced instruction set computer (RISC) microprocessors which are at the heart of computer controls inside the Turtles enabling the puppets to talk, pout, blink and snarl.

ARM's risc chips were recently chosen by Apple, the US computer company, for its new consumer gadget, an all-in-one portable electronic notebook, word processor, fax machine and computer.

The success of the company, which has only 30 employees, is an impressive achievement in an age when large and powerful semiconductor manufacturers have been suffering in the face of intense competition and sharp price falls in certain product areas.

It also turns on its head the notion that the UK is infertile ground for nurturing entrepreneurial high technology companies.

The company was born out of one very good idea – a chip which offered high performance at low cost and low power consumption. These characteristics make the ARM chip ideal for portable products made in large volume, such as small consumer electronics devices.

The chip was originally developed at Acorn, the UK computer offshoot of Olivetti, the Italian computer and office equipment group.

Although International Business Machines invented risc chips in the early 1980s, ARM claims its original chip was the first to be commercially available.

It was extremely popular among outside engineers, including a group at Apple who liked the fact that it was easy to write software for it.

Acorn, faced with increasing development costs, decided to spin off the chip into a joint venture, which was ARM.

Acorn retained 46 per cent, Apple held 46 per cent and VLSI Technology, a US manufacturer of semiconductors, which had been a licensee of the technology, had a minority holding.

The presence of Apple and Olivetti in the background helped open a few doors to the budding company.

Nevertheless, much of the credit for ARM's success goes to the business philosophy of Mr Robin Saxby, managing director, who was recruited to head the group from European Silicon Structures where he was managing director.

The business model that Saxby adopted and which has enabled ARM to grow, is one more commonly seen among small entrepreneurial companies in Silicon Valley than in the UK.

Mr Saxby calls it "partnering in multiple dimensions". It is a strategy of forming wide-ranging partnerships which enables ARM to concentrate mainly on design, leaving other companies to provide additional expertise.

Each member brings to the partnership their own strengths and nobody does what someone else can do better, Mr Saxby says.

ARM itself will research, design and develop its products. Its partners will look after the manufacturing, which is a capital intensive undertaking that can be of considerable risk for a small company, and much of the marketing and sales efforts. It will, however, train its partners' sales personnel intensively.

Mutant Ninja Turtles: controlled by microprocessors

ARM licenses its technology to outside semiconductor companies but the relationship goes considerably beyond the conventional one between manufacturer and subcontractor.

The manufacturers, which Mr Saxby calls ARM's "semiconductor product partners", work with ARM on joint design, serve as its worldwide marketing and sales force and provide local support.

For example, VLSI and GEC Plessey Semiconductors which are are the present licensed manufactures, also market ARM's products. As a result ARM has already been supplying chips to Japan where it does not yet have a presence.

ARM also works with universities on long-term research and development. It is working with a group at Manchester University on advanced ARM architecture ideas.

These partnerships are a large asset for a small upstart. "We're the little David fighting the big Goliath but sometimes the little guy can win particularly if he has some big friends," Mr Saxby says.

The strategy of using whatever outside resources it can, if it can do so more effectively, extends to research funding.

Because the company has a modest budget it has put a lot of effort into winning public funding for long-term research.

For example, ARM is a partner in a project that is being funded by the Open Microsystems Initiative, an EC programme worth Ecu65m (£46m).

It has avoided the pitfall of many innovative companies of having brilliant technologies but not being able to market them successfully, by sticking to a strictly customer-driven business strategy.

While the company will research and develop technologies, it will wait until it has found a specific customer who needs to turn those technologies into a product, rather than implement them for their own sake.

"That is how you penetrate markets," Mr Saxby says.

For now, ARM is focusing on those products where it has an edge, the ARM chip and its family of related products.

The company is setting its sights on the Japanese market where it sees potential in high volume portable consumer products in which Japanese electronics companies are showing increasing interest.

For the Japanese, the ARM partnering strategy also provides a way for them to achieve potential synergies, Mr Saxby says.

A series of presentations it made in Japan recently attracted huge crowds and it expects to announce a licensing agreement with a Japanese chip manufacturer by the end of the year.

St Modwen bucks trend with rise to £1.04m

By Paul Cheeseright, Midlands Correspondent

ST MODWEN Properties, the Birmingham-based investment and development company, yesterday defied the general sector trend by announcing a marginal increase in interim profits.

For the six months to May 31 profits rose from £1.02m to £1.04m at the pre-tax level. Turnover was £11.4m, against £33.4m last time when sales were inflated by one unusually large property sale. Earnings per share were unchanged at 0.6p.

The company is now receiving rental income in excess of interest payments and, according to Mr Stan Clarke, chairman, by the end of this financial year rental income will cover both interest charges and management costs.

Gross rental income during the first half was £3.3m, but interest charges were £2.5m (£3.2m). The company does not capitalise its interest charges. Gearing was fractionally reduced to 85 per cent but is expected to show a modest rise by the year-end.

● Mr Clarke, through a personal company, is injecting £1.56m into Uttoxeter Leisure & Development, 81 per cent controlled by St Modwen and owner of the Uttoxeter racecourse. The injection, in exchange for shares, will have the effect of eliminating the racecourse company's debts to St Modwen and provide funds for course improvement.

Recession pushes Aer Lingus I£3m into the red

By Vincent Boland in Dublin

AER LINGUS, the Irish national carrier, reported a pre-tax loss of I£3.1m (£2.9m) for the year to March 31, its first deficit for 10 years. Profits last time were I£6.6m.

The after-tax deficit amounted to I£11.8m (I£8.3m profits).

The airline has been badly hit by the slump in international air transport and difficult trading conditions in ancillary services.

Losses on its core air transport business fell by 11 per cent to I£37.9m (I£42.5m). Traditionally these have been offset by profits in ancillary services but the impact of recession in the UK and the US forced the group into loss. Turnover rose by 8 per cent to I£849m (I£784m).

Mr Cathal Mullan, chief executive, said the losses in the air transport division were "particularly disappointing".

Revenue traffic on IATA airlines fell by 4 per cent during 1991. European airlines saw passenger numbers fall by 6.5 per cent on internal European routes.

The aircraft maintenance and ground handling division saw profits fall 29 per cent to I£14.6m (I£20.7m), reflecting the impact of the recession in the industry worldwide.

Profits at its hotel division, which includes the Copthorne chain in the UK, felt the impact of the recession and declined 3 per cent to I£12m (I£12.4m). The sale of the Berkshire Place Hotel in New York helped offset the poor trading results.

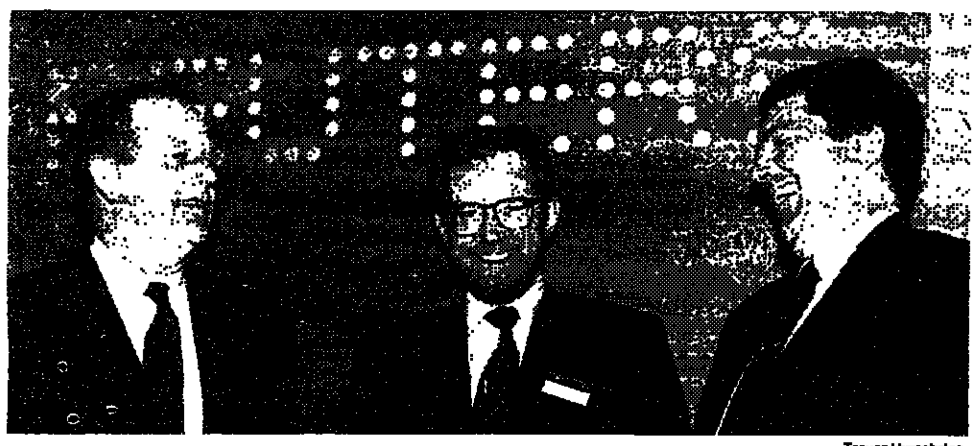
The biggest decline, however, was in the commercial holdings division, which includes the 9 per cent stake in GPA Group, where profits fell 49 per cent to I£8.2m (I£16m).

The group has adjusted the value of its GPA stake "in line with indicated market value," Mr Mullan said. The collapse of GPA's planned stock market flotation last month was a blow to Aer Lingus, which had hoped to sell 4m of its 19m shares in the aircraft leasing company to reduce debt.

Total passenger numbers carried by the group in the year rose by only 1 per cent to 4.3m. Its passenger load factor fell from 71 per cent to 68 per cent and its overall load factor from 68 per cent to 66 per cent.

No dividend is declared for the year. Last year the group reluctantly paid out I£500,000 after a dispute with the Irish government, its sole shareholder, which insisted on a dividend despite a fall in profits. Gearing climbed from 109 per cent to 133 per cent.

Mr Mullan said the international recession showed little sign of abating, and in addition price wars and excess capacity had combined to drive down revenues on some of its principal routes. Targeted improvements in air transport results would be "very difficult to achieve," he added.



Trevor Humphries

Peter Job (left), with Mark Wood, editor-in-chief, and Rob Rowley, finance director

Reuters plans global TV expansion

Reuters said yesterday that its 10-year television partnership with NBC would allow it to explore new opportunities in global television with its US partner, writes Andrew Bolger.

It will buy out minority stakes in Visnews, the international television news agency, held by NBC and the BBC and eventually aims to put together its conventional news agency operation with Visnews to form the world's largest reporting network.

Visnews will continue to produce mainly raw news feeds to existing programmes and networks, although it already produces some complete programmes of its own.

It has 454 staff worldwide while Reuters has 1,100 reporters and photographers.

Greene King pushes case to Morland holders

By Philip Rawstorne

GREENE KING, the Suffolk-based brewer, yesterday pressed its bid for Morland, its Thames Valley rival, with a reminder to its target's shareholders of the "substantial financial benefits" available under the offer which closes on Friday.

These include a threefold increase, from 11.2p to 33.75p, in gross annual income and a capital uplift of nearly 50 per cent, Greene King said.

Mr Simon Redman, Greene King chairman, maintained that the offer – worth 484p in convertible preference shares or 450p cash – was generous.

Greene King's share price has increased from 507p to 520p since it announced its offer. Over the same period, the regional brewers' index has fallen by more than 11 per cent and the FT-SE 100 has fallen by more than 10 per cent.

"This strong performance indicates that the stock market does not give any credence to what we consider to be the misdirected criticisms of Greene King and its management which Morland's board has been making," Mr Redman added.

Greene King said last week that it had control of 46.9 per cent of Morland's shares.

Yesterday, however, SG Warburg, on behalf of Morland shareholders, lodged with Greene King notices of withdrawal in respect of 223,408 shares previously assented to the offer. They amount to 1.05 per cent of Morland's issued share capital and bring the number of withdrawals lodged since July 14 to 322,522 shares or 1.52 per cent of Morland's share capital.

NEWS DIGEST

Central Motor halved

CAPITAL SPENDING on site development contributed to a halving of pre-tax profits at Central Motor Auctions.

Auction proceeds, excluding VAT, for this USM-quoted company, fell £3m to £152.8m for profits of £432,000 (£861,000).

The result was struck after a downturn from interest received of £156,000 to £112,000 payable as a result of the capital expenditure, and included exceptionals of £165,000 (£256,000) from property sales.

Earnings per share came out at 2.7p (5.1p). The interim dividend is maintained at 1p.

Radius helped by cost controls

Radius, the USM-traded computer systems and maintenance group, reported profits of £525,000 before tax for the six months to May 31.

The outcome compared with £801,000 in the corresponding half but marked a sharp improvement over the second six months of last year when profits, before exceptional items, amounted to just £141,000.

Mr Michael Roberts, chairman, said the latest upturn reflected tightened operational controls and cost reductions.

Turnover declined £12m (£14.7m) following "recessionary pressures" and the discontinuation of loss-making activities.

Earnings per share fell from 1.7p to 1p, but the interim dividend is maintained at 0.9p.

Clayhithe dives sharply into losses

Clayhithe, the investment company, fell to losses of £548,000 in the 12 months to March 31.

In the previous year there were restated pre-tax profits of £1.57m. Turnover fell from £20.9m to £20m.

Exceptional charges of £703,000 included £582,000 reorganisation costs in active investments.

Losses came through at 1.8p (4.3p earnings) basic. Fully diluted earnings were 0.8p (4.8p). As already announced, a final dividend of 1.75p (4.2p) makes a total of 2.5p (6p).

Net asset value per share was 94p at March 31 against a restated 111p a year earlier.

GWR loss nearly doubled to $13.6m

Great Western Resources, the US-based oil, gas and coal company which has a USM quote, fell deeper into the red in the half year to March 31 with a pre-tax loss of $13.6m (£7.1m) against $7.3m.

Losses per share were 15 cents (8 cents) and there is no interim dividend (2.5p gross).

NOTICE OF EARLY REDEMPTION

The Goodyear Tire & Rubber Company

¥12,500,000,000

6 7/8% Yen Bonds Due 1994

Notice is hereby given that, pursuant to the Terms and Conditions of the above-mentioned Bonds (the "Bonds"), The Goodyear Tire & Rubber Company has elected to redeem all of the outstanding Bonds on August 28, 1992 at the redemption price of 100.50 percent of the principal amount thereof plus accrued interest thereon from December 18, 1991 to such date in the amount of ¥47,743 per Bond.

The redemption price together with accrued interest as aforesaid will be paid upon presentation and surrender of the Bonds at the office of the Fiscal Agent or any Paying Agent specified below. Payments will be made by cheque drawn on, or, at the holder's option, by transfer to a Yen account maintained by the Payee with, a bank in Tokyo. No payment will be made to an address in the United States or by transfer to an account maintained by the Payee in the United States.

Bonds presented for payment should be accompanied by all unmatured Coupons appertaining thereto. The face value of any missing unmatured Coupon will be deducted from the sum due for payment. The face amount of any such missing Coupon will be paid against surrender of such missing Coupon within three years from the date on which such Coupon by its terms became due.

Interest payments due on or prior to December 18, 1991 are payable upon presentation of relative Coupons in the manner provided above.

Interest shall cease to accrue on the Bonds on and after August 28, 1992

By: THE BANK OF TOKYO, LTD

July 22, 1992 Fiscal Agent and Principal Paying Agent

FISCAL AND PRINCIPAL PAYING AGENT

The Bank of Tokyo, Ltd
3-2, Nihombashi Hongokucho 1-chome
Chuo-Ku, Tokyo 103, Japan

PAYING AGENTS

Kredietbank S.A. Luxembourgeoise
43, Boulevard Royal
L-2955 - Luxembourg

Morgan Guaranty Trust Company of New York
60 Victoria Embankment
London EC4Y 0JP

Bank of Tokyo (Deutschland) AG
Wiesenhuttenstrasse 10
6000 Frankfurt am Main 1

The Bank of Tokyo, Ltd
Finsbury Circus House
12-15 Finsbury Circus
London, EC2M 7BT

The Bank of Tokyo, Ltd
Avenue des Arts 58
B-1040 Brussels

Bank of Tokyo (Schweiz) AG
Bahnhofplatz 1
8023 Zurich

The Bank of Tokyo, Ltd.
4-8 rue Sainte - Anne
75001 Paris

NORTHERN ROCK
BUILDING SOCIETY

£100,000,000
Floating Rate Notes
Due 1995

Interest Rate:
10.50% per annum
◆
Interest Period:
21st July, 1992 to
21st October, 1992
◆
Interest Amount per
£5,000 Note due
21st Oct, 1992: £131.97
◆
Interest Amount per
£50,000 Note due
21st Oct, 1992: £1,319.67
◆
Agent Bank
Baring Brothers & Co., Limited

U.S. $100,000,000

MARINE MIDLAND BANKS, INC.

Floating Rate Subordinated Capital Notes due 1999

For the three months 22nd July, 1992 to 22nd October, 1992 the Note will carry an Interest Rate of 3 11/16 per cent. per annum with a Coupon amount of U.S. $94.24 per U.S. $10,000. Interest payment date 22nd October, 1992.

HongkongBank London Limited
Interest Determination Agent

MELLON BANK CORPORATION
US $200,000,000
FLOATING RATE NOTES DUE 1994

Notice is hereby given that for the interest period from 21 July 1992 to 21 October 1992 the Notes will carry an interest rate of 3.66875% per annum.

CHEMICALBANK as Agent Bank

This advertisement is issued in compliance with the requirements of the London Stock Exchange. It does not constitute an invitation to the public to subscribe for, or purchase, any shares. Application has been made to the London Stock Exchange for the grant of permission to deal in the undermentioned securities in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing.

FLEXTECH (1992) p.l.c.
(Registered in England and Wales No. 2688411)

Introduction to the Unlisted Securities Market by
N M Rothschild & Sons Limited
of 34,304,471 ordinary shares of 10p each

Authorised		Issued and fully paid
£4,500,000	ordinary shares of 10p each	£3,430,447.10

Particulars relating to the Company are included in the Companies Fiche Service available from Extel Financial Services Limited, 37-45 Paul Street, London EC2A 4PB from 3.00 p.m. on 1st August, 1992.

Copies of the particulars are available for collection during normal business hours on 1st August and 2nd August, 1992 from the Company Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, Off Bartholomew Lane, London EC2 (by collection only) and on any weekday (Saturdays and Public Holidays excepted) up to and including 14th August, 1992 from:

Flextech (1992) p.l.c.
11 Grosvenor Crescent, London SW1X 7EE

N M Rothschild & Sons Limited
New Court, St. Swithin's Lane, London, EC4P 4DU

Cazenove & Co.
12 Tokenhouse Yard, London EC2R 7AN

22nd July, 1992

Currency Fax - FREE 2 week trial
from Chart Analysis Ltd
7 Swallow Street, London W1R 7HD, UK -
exchange rate specialists for over 18 years
Ask Anne Whitby
Tel: 071-734 7174
Fax: 071-439 4966

FUTURES & OPTIONS TRADERS
FOR AN EFFICIENT AND COMPETITIVE SERVICE
BERKELEY FUTURES LTD.
15 PARK ROAD, LONDON NW1 6XN
OR TEL: CHARLES DE ROEPER
ON 071-224 8489
FAX: 071-224 8275

Interest Rate Change

FIRST OPTION BONDS

From noon on 21 July 1992 the first-year fixed rate of interest on offer for new purchases of FIRST Option Bonds changed from 10.34% gross (7.75% net) to 9.67% gross (7.25% net).

The bonus earned by bonds of £20,000 or more held to the first anniversary remains unchanged at 0.4% gross (0.3% net).

NATIONAL SAVINGS

Issued by the Department for National Savings on behalf of the Treasury

SHIRES HIGH-YIELDING SMALLER COMPANIES TRUST PLC

SHIRESCOT

Offer for Subscription sponsored by Williams de Broë Plc of up to 20,000,000 ordinary shåres of 50p each (with warrants attached on the basis of 1 for 5) at 100p per share payable in full on application.

This Mini-Prospectus describes Shires High-Yielding Smaller Companies Trust plc ("SHIRESCOT") and the Offer for Subscription ("the Offer") now being made. It contains information in summary form drawn from the Company's Listing Particulars, dated 22nd July, 1992, which alone contain full details of the Company and the Offer. Copies of the Company's Listing Particulars are available from the addresses set out below from 22nd July, 1992 until the Offer closes. They are also available, for collection only, from the Company Announcements Office, the London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London EC2, until 24th July, 1992.

In applying for Ordinary Shares (with Warrants attached) you will be treated as applying on the basis of the Listing Particulars, which should be read in conjunction with this document, and the Terms and Conditions of Application set out in this document. These govern your rights and obligations.

The London Stock Exchange has authorised the issue of this document under s.154(1) of the Financial Services Act 1986 without approving its contents. This document is not for distribution outside the UK, nor should it be treated as an offer or solicitation outside the UK.

The Directors are satisfied that this Mini-Prospectus contains a fair summary of the key information set out in the Listing Particulars.

Application has been made to the London Stock Exchange for all the Ordinary Shares and Warrants issued and to be issued pursuant to the Offer and the Shires Subscription (as defined in the Listing Particulars and referred to herein) to be admitted to the Official List.

TIMETABLE

	1992
Application list opens	27th July
Latest time for receipt of applications	2.00 p.m. on 20th August
Basis of allocation expected to be announced	8.00 a.m. on 24th August
Renounceable Letters of Allotment expected to be despatched	27th August
Dealings in units of five Ordinary Shares and one attached Warrant expected to commence	28th August
Latest time for splitting Renounceable Letters of Allotment	3.00 p.m. on 29th September
Latest time for registration of renunciations	3.00 p.m. on 1st October
Dealings in Ordinary Shares and (separately) in Warrants expected to commence	2nd October
Definitive certificates in respect of Ordinary Shares and Warrants expected to be despatched	22nd October

INVESTMENT OBJECTIVES

SHIRESCOT has been formed to provide its shareholders with a high level of income, together with future income and capital growth, from a portfolio of equity and equity-related investments.

The objectives of SHIRESCOT will be to:—

- secure for its shareholders a gross yield on net assets at least 50 per cent. greater than the yield on the Financial Times-Actuaries All-Share Index ("the All-Share Index"), with the aim of increasing dividends faster than the rate of inflation; and
- provide an overall return to investors — by way of a combination of income and capital growth — greater than that of the All-Share Index.

It is intended that the gross dividend yield on initial investment in SHIRESCOT will be at least 7.0 per cent. per annum in respect of the periods to 31st December, 1993.

Whilst there are currently a number of investment trusts seeking to achieve overall out-performance of the All-Share Index, there are few which aim to combine such overall out-performance with a level of income as high as that envisaged by the Company.

The Directors believe that setting a high yield objective is an effective means of minimising the tendency of ordinary shares in investment trusts to trade at a discount to net asset value. Their view would appear to be supported by the fact that, as at 17th July, 1992 (the latest practicable date before the publication of this document), shares of the three investment trusts floated since the beginning of 1991 which offer yields above the All-Share Index yield and have capital structures and investment policies comparable to that proposed for SHIRESCOT traded at an average premium of 5.2 per cent. to their respective net asset values.

INVESTMENT POLICY

The Company intends to achieve its objectives by investing primarily in the ordinary shares of listed UK smaller companies with a market capitalisation of between £25 million and £250 million and a dividend yield of at least 120 per cent. of the yield on the All-Share Index. They will comprise mainly companies whose shares are included in the Hoare Govett Smaller Companies Index ("the HGSC Index") but may also include the shares of other companies with a slightly larger market capitalisation.

The Company may also invest up to 25 per cent. of its portfolio in the convertible preference shares or convertible loan stocks of UK smaller companies.

BACKGROUND

In its capacity as manager of a number of investment trust portfolios with a high-yield objective, Glasgow Investment Managers Limited ("GIM"), who will be manager of SHIRESCOT, has conducted detailed research into the share price and dividend performance of high-yielding smaller companies in the UK during, and since, the recession of 1979/81. The companies analysed satisfied the investment criteria stated above and constituted a sample of well above 100 stocks.

The results of the research established parallels between the last and the present recessions in relation to the performance of investments in high-yielding smaller companies. GIM's findings can be analysed* as follows:—

1979/81 recession

After the pre-election peak of the stockmarket in May 1979, both the All-Share Index and the HGSC Index reached low points in November 1979 as the UK stockmarket discounted the effect on companies of the developing recession.

1981 - 1988

In May 1981, the Index of Industrial Production ("IIP"), a measure of the level of economic activity, reached a low point. Thereafter, the performance of high-yielding smaller companies improved relative to the All-Share Index. In the period to the end of 1988, the total return on high-yielding smaller companies exceeded that on the All-Share Index by an average of 5.8 per cent. per annum, representing an excess capital return of 4.2 per cent. per annum and an excess income return of 1.6 per cent. per annum. The aggregate outperformance for the period was 47 per cent.

1989 onward

Since the beginning of 1989, UK smaller companies have substantially underperformed UK equities generally. GIM believes that the principal reason for such underperformance has been the relatively greater effect of the downturn in the UK economy and of higher interest rates on smaller companies. Such companies have suffered from greater exposure to domestic economic pressures and a presence in sectors particularly reliant upon UK economic growth, compared with larger companies, which more often have the support of overseas earnings.

GIM believes that a number of parallels can be drawn with the 1979/81 recession:—

- The All-Share Index and the HGSC Index established low points (in October 1990 and January 1991 respectively) several months before signs of recovery began to appear in the UK economy. This was also the case in 1979.
- The IIP appears to have reached a low point (in May 1991) some time after the low points of the UK stockmarket indices. This was also the case in 1981.
- In 1991, the year in which stockmarket indices began to anticipate economic recovery in the UK, the returns on high-yielding smaller companies lagged considerably behind the All-Share Index. This was also the case in 1980.

GIM believes that 1992/1993 will witness a recovery in the UK economy. Several key indicators support this view:—

- Interest rates have fallen significantly and, with money supply growth and retail price inflation low, are expected to fall further.
- The financial deficit of UK companies, at a historically high level in 1990, contracted significantly in 1991 as a result of destocking, lower interest rates and refinancing through rights issues.
- The IIP has stabilised.

GIM now believes that, as at the end of the 1979/81 recession, the recovery will be of greater significance to high-yielding smaller companies in particular than to UK companies generally.

Furthermore, the relative valuation of high-yielding smaller companies, as measured by the degree to which their yields exceed the All-Share Index yield, is close to its low point over the last 14 years. The average yield of 9.0 per cent. at 31st March, 1992 (the latest practicable date for which figures are available) represents a premium of 77 per cent. to the All-Share Index yield compared with a high of 79 per cent. in 1981 and a low of 47 per cent. in 1988.

In conclusion:—

- Analysis of the 1979/81 recession and of stockmarket returns thereafter indicates that investing in high-yielding smaller companies in 1981 provided an excellent return in the subsequent period of economic expansion.
- 1992 appears to be similar to 1981 in the business cycle and to be a favourable time to invest in high-yielding smaller companies, whose earnings should recover as the UK economy begins to grow again.

* Throughout this section, the source of statistics concerning the All-Share Index, the UK Index of Industrial Production and the HGSC Index is Datastream; that of statistics concerning high-yielding smaller companies is GIM, based on data published in the Risk Measurement Service of the London Business School.

THE MANAGER

Glasgow Investment Managers Limited was formed in 1986 by David Williams, now managing director, who was previously the deputy chief executive of Murray Johnstone Limited. GIM became managers of Shires Investment p.l.c. ("Shires") in June 1987 and launched Glasgow Income Trust plc ("GIT") in July 1988.

GIM specialises in high-yielding investments and its personnel have considerable experience of investing in high-yielding equities and the securities of smaller companies. GIM has been responsible for innovation in the management of high-yielding portfolios. It devised the RPI-linked debenture issued by Shires in 1990, the first RPI-linked issue by a UK investment trust, and pioneered the writing by investment trusts of traded options against the assets in their portfolio to enhance the revenue return.

KEY INFORMATION

- SHIRESCOT is a new investment trust formed to provide its shareholders with a high level of income, together with future income and capital growth, from a portfolio of equity and equity-related investments.
- SHIRESCOT will have the objective of securing for its shareholders a gross yield on net assets at least 50 per cent. greater than the All-Share Index yield together with an overall investment return greater than that of the All-Share Index. SHIRESCOT will aim to increase dividends faster than the rate of inflation.
- It is intended that the gross yield on initial investment in SHIRESCOT will be at least 7.0 per cent. per annum in respect of the periods to 31st December, 1993.
- SHIRESCOT will invest primarily in the ordinary shares of high-yielding listed UK smaller companies, that is those listed UK companies with a market capitalisation of between £25 million and £250 million and a minimum dividend yield of 120 per cent. of the All-Share Index yield.
- SHIRESCOT will be managed by Glasgow Investment Managers Limited. GIM manages some £110 million of assets, primarily through its two listed investment trusts, Shires Investment p.l.c. and Glasgow Income Trust plc.
- The capital of the Company will comprise Ordinary Shares and Warrants only. Each Warrant will carry the right to subscribe for one Ordinary Share at a price of 100p in each of the years 1994 to 2000, both inclusive. The Warrants will be allocated to subscribers of Ordinary Shares in the ratio of 1 for 5 and, after 1st October, 1992, will be separately listed.
- It is intended that the Ordinary Shares will qualify for inclusion in general PEPs up to an annual maximum of £6,000 per individual (£12,000 for married couples). Moreover, provided they are renounced into PEPs within 42 days of allotment, the Warrants attached to the Ordinary Shares may also be included in PEPs.

ISSUE STATISTICS

	Minimum Issue	Maximum Issue
Number of Ordinary Shares in issue following the Offer and the Shires Subscription	11,250,000	25,000,000
Number of Warrants in issue following the Offer and the Shires Subscription	2,250,000	5,000,000
Offer Price	100p	100p
Estimated proceeds after expenses	£10,736,000	£23,936,000
Estimated initial net asset value per Ordinary Share	95.4p	95.7p
Estimated* minimum aggregate net dividends per Ordinary Share payable in respect of the periods to 31st December, 1993	7.18p	7.18p
Estimated* minimum annualised gross dividend yield at the Offer Price	7.0%	7.0%

* These figures are based on the Directors' estimate of net revenue during the relevant periods.

GIM manages some £110 million of assets. As at 17th July, 1992 (the latest practicable date before the publication of this document) the shares of Shires and GIT traded at premiums (as reported in the *Financial Times*) to their net asset value of 3.2 and 10.8 per cent. respectively.

GIM is a member of Investment Management Regulatory Organisation Limited (IMRO).

MANAGEMENT STRATEGY

All stocks, both equities and convertibles, selected for inclusion in SHIRESCOT's portfolio will be screened using techniques of equity value analysis developed and refined by GIM. The total population of stocks under review is assessed for:—

- the calibre of the underlying corporate operation, taking into account management, market, product and financial factors; and
- the real sustainable earnings growth which the company may reasonably expect to achieve, taking into account historical experience, current trading conditions and future plans.

The ratings thus established are then correlated with the ratings of other companies in the representative population in order to establish whether a particular company's stock is over valued or under valued.

These techniques of equity value analysis highlight companies with strong managements, strong finances, low ratings and above average yields.

In 1990 Shires took a decision to develop a portfolio of shares in listed high-yielding smaller companies. This portfolio now comprises some twenty stocks selected on the basis of GIM's screening process. In the period from 31st March, 1990 to 31st March, 1992 the portfolio showed a total return of 13.5 per cent.; by contrast, the HGSC Index showed a total return of −2.5 per cent. in the same period. Shires intends to invest in SHIRESCOT by transferring to the Company its smaller company portfolio in exchange for Ordinary Shares (with Warrants attached) of equivalent value as more fully described in the section headed "The Shires Subscription" below.

DIVIDEND POLICY

Substantially all of SHIRESCOT's income after expenses and taxation, for each financial year, will be distributed in the form of dividends on the Ordinary Shares. Dividends will be paid quarterly after the first dividend, which is expected to be paid in March 1993.

It is intended that the gross yield on investment in SHIRESCOT will be at least 7.0 per cent. per annum in respect of the periods to 31st December, 1993.

DIRECTORS OF THE COMPANY

The board of SHIRESCOT, who will be responsible for overall investment policy, will for the time being comprise four Directors as follows:—

Michael S Hardie CA (Chairman), who is aged 65 and has been chairman of Shires since June 1987. He is a consultant to the investment committee of Willis Corroon plc and was formerly investment director of Friends' Provident Life Office. He is a non-executive director of GIM.

Christopher J F Amander, who is aged 59 and is a non-executive director of Capital Trust Limited and Record Fund Management Limited. He was formerly a director of Barclays de Zoete Wedd Limited and worked for some years in the Middle East where he continues to be a consultant to a number of companies.

Bernard V Henderson CBE, who is aged 64 and is chairman of Anglian Water plc and a director of the Water Research Centre. He was formerly managing director of the PC Henderson Group and a director of the Overhead Door Corporation (now the Dallas Group) in the United States.

John Stubbs, who is aged 48 and has been a director of Shires since 1986. He is a deputy director of PosTel Investment Management Limited, where he is responsible for the management of their UK equity and international index matching portfolios.

CONSULTANT

Mr A John R Izat has agreed to act as a consultant to the Company. Mr Izat, who is aged 59, has been a director of Shires since 1988. He was a partner of Williams de Broë Hill Chaplin & Co., Stockbrokers, from 1955 to 1975 and is a director of United Auctions (Scotland) Limited and a number of other companies. He is a non-executive director of GIM.

STRUCTURE

The capital of the Company will comprise Ordinary Shares and Warrants. The Warrants will be allocated to subscribers of the Ordinary Shares in the ratio of one for five and, after 1st October, 1992, will be separately listed.

The Directors believe that a straightforward, unleveraged capital structure consisting only of Ordinary Shares will be in the best interests of the Company's investors. The Ordinary Shares will as a result carry all rights to dividends and future growth of income and capital.

DURATION

The shareholders of SHIRESCOT will be given the opportunity to consider the future of the Company at regular intervals. In terms of the Articles of Association of the Company, an ordinary resolution will be proposed at the eighth annual general meeting of the Company (and at every fifth subsequent annual general meeting) to the effect that the Company should continue as an investment trust.

DETAILS OF THE OFFER

The Company is now offering for subscription up to 20,000,000 Ordinary Shares (with Warrants attached on the basis of one Warrant for every five Ordinary Shares) at 100p per share, payable in full on application. The Directors will not allot any Ordinary Shares and Warrants unless valid applications are received by 2.00 p.m. on 20th August, 1992 in respect of at least 6,250,000 Ordinary Shares (with Warrants attached). Subject to such minimum being reached, a further 5,000,000 Ordinary Shares (with Warrants attached) will be allotted to Shires pursuant to the Shires Subscription (see below). The Offer together with the Shires Subscription will raise between £10.7 million and £23.9 million, net of expenses.

Application has been made to the London Stock Exchange for the Ordinary Shares (with Warrants attached) issued and to be issued pursuant to the Offer and the Shires Subscription to be admitted to the Official List. The Ordinary Shares will rank for all dividends and other distributions hereafter declared, made or paid on the ordinary share capital of the Company.

Firm undertakings to apply in the Offer for a minimum of 4,701,400 Ordinary Shares (with Warrants attached) have been received from certain institutional investors and brokers, all of which applications will, subject to the minimum subscription being reached, be accepted in full.

In addition, a further 1,548,600 of the Ordinary Shares (with Warrants attached) being offered for subscription in the Offer have been underwritten by institutions, including Shires as to 548,600 of such shares.

As a result of the Shires Subscription and (dependent on the level of applications received in the Offer) as a result of the aforementioned underwriting, Shires may, in certain circumstances, hold beneficially Ordinary Shares carrying 30 per cent. or more (though in no circumstances 50 per cent. or more) of the voting rights of SHIRESCOT.

THE WARRANTS

Warrants will be issued with the Ordinary Shares in the ratio of one for every five Ordinary Shares. The Ordinary Shares (with Warrants attached) will initially trade as a unit. It is expected that dealings in such units will commence on 28th August, 1992 and that separate dealings in the Ordinary Shares and Warrants will commence on 2nd October, 1992.

Each Warrant will confer the right to subscribe for one Ordinary Share on 1st June in each of the years 1994 to 2000 both inclusive, at a price of 100p, subject to adjustment in certain circumstances.

Application will be made for Ordinary Shares issued upon the exercise of Warrants to be admitted to the Official List of the London Stock Exchange. Such shares will not rank for dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the relevant subscription date but, subject thereto, will rank in full for all dividends and other distributions declared, made or paid after the relevant subscription date and otherwise *pari passu* in all respects with the Ordinary Shares in issue on the relevant subscription date.

THE SHIRES SUBSCRIPTION

SHIRESCOT has agreed to purchase from Shires the portfolio of listed smaller company investments referred to under the heading "Management strategy" above up to a value of £5,000,000, based on the mid-market price of such investments as set out in The Daily Official List of the London Stock Exchange on the day immediately preceding the date on which all the Ordinary Shares (with Warrants attached) issued and to be issued under the Offer are admitted to the Official List ("Admission"). Shires has agreed to subscribe at the same time for 5,000,000 Ordinary Shares (with Warrants attached) at the Offer Price.

The Shires Subscription is conditional upon Admission.

THE GLEN OFFER

The Company intends, prior to 20th August, 1992 and subject to obtaining approval of the structure of the transaction from all relevant regulatory and fiscal authorities, to make an offer to acquire all of the outstanding units in The Glen Portfolio on the basis of 5 Ordinary Shares (with a Warrant attached) for every 500p of value attributable to units in Glen at the bid price for such units on 20th August, 1992.

Glen is an authorised unit trust which was established on 28th January, 1970 and is managed by Drummond Fund Management Limited, a subsidiary of GIM. The investment objective of Glen is to provide its unitholders with growth in both capital and income. Its investments are primarily listed UK equities and equity-related securities. It is anticipated that, at the date upon which the Glen Offer is made, the substantial majority of Glen's investments will meet SHIRESCOT's investment criteria. Upon the Glen Offer becoming unconditional in all respects, SHIRESCOT would procure the distribution to it, *pro rata* to its holding of units in Glen, of Glen's underlying investments, which would then be managed in accordance with SHIRESCOT's investment policy.

Full acceptance of the Glen Offer based on the bid price on 17th July, 1992 (the latest practicable date before the printing of this document) of 35.85p for each distribution unit and 79.22p for each accumulation unit (ignoring fractions) would involve the issue of 1,837,608 Ordinary Shares (with Warrants attached), representing approximately 14.0 per cent. of the enlarged issued ordinary share capital of the Company (assuming the minimum issue of 11,250,000 Ordinary Shares (with Warrants attached), under the Offer and the Shires Subscription).

The Ordinary Shares (with Warrants attached) which may fall to be issued pursuant to the Glen Offer would be issued credited as fully paid and would rank *pari passu* in all respects with existing Ordinary Shares (with Warrants attached) in the capital of the Company.

PERSONAL EQUITY PLANS

The Directors intend that SHIRESCOT should be managed so that the Ordinary Shares will be general PEP qualifying investments throughout the Company's life.

At present, PEP legislation allows a qualifying individual to invest up to £6,000 each tax year in a general PEP and a husband and wife may each invest up to £6,000. The value of tax relief will depend on the circumstances of the investor, and PEPs will be subject to any relevant changes in the law.

Individuals who apply on a public application form for and are allotted Ordinary Shares (with Warrants attached) under the Offer may renounce all or part of their allotment into PEPs offered by plan managers up to the limit of £6,000 worth of Ordinary Shares (with Warrants attached), provided they have not already taken out a general PEP in the current tax year.

Applicants intending to transfer their allotments of Ordinary Shares (with Warrants attached) into a PEP should obtain a PEP application form from their plan manager and comply with that manager's instructions in relation to the form. If you intend to transfer any allotment of Ordinary Shares (with Warrants attached) into a PEP you should not, however, make a joint application, since joint applications cannot be renounced or transferred into a PEP.

If this action is not taken at the initial offer stage and investors later decide to transfer their allotments into a PEP they have 42 days from and including the date of allotment of shares under the Offer (expected to be 21st August, 1992) to effect transfer. In the case of application for a new PEP, this means that, where a 7 day cooling off period is required, such transfer, together with the PEP application, must be received by the relevant plan manager before the close of business on 23rd September, 1992 at the latest. Transfers of Ordinary Shares (with Warrants attached) into existing PEPs may be made up until 1st October, 1992. Warrants may be held by a PEP following commencement of separate dealings in the Ordinary Shares and Warrants, but only if they have been transferred or renounced into the PEP by 1st October, 1992.

Discretionary PEP managers may also apply direct for Ordinary Shares (with Warrants attached) under the Offer; Warrants arising from such applications may be retained within a PEP (provided that the rules of the relevant PEP so allow) after commencement of separate dealings in the Ordinary Shares and Warrants.

This information is based on the law currently in force and on the Inland Revenue's interpretation of it.

RISK FACTORS

Potential investors in the Ordinary Shares and Warrants should be aware that the value of these securities and the income from the Ordinary Shares can fluctuate. In addition to this, it should be remembered that, while warrants have the potential for higher capital appreciation in percentage terms than shares, their market price is liable to greater volatility.

The market price of the Ordinary Shares may not necessarily reflect the underlying fully diluted net asset value of the Company from time to time.

The relatively small market capitalisation of smaller companies could make the market for their shares less liquid and, as a consequence, their share prices more volatile.

TERMS AND CONDITIONS OF APPLICATION

1. The contract created by the acceptance of applications in the manner herein set out will be conditional upon the sponsorship agreement referred to in paragraph 10(a) of Part IV of the Listing Particulars becoming unconditional and not being terminated in accordance with its terms. If any application is not accepted, or if any contract created by acceptance does not become unconditional, or if any application is accepted for fewer Ordinary Shares (with Warrants attached) than the number applied for, the application moneys or the balance of the amount paid on application will be returned without interest by post at the risk of the applicant. In the meantime application moneys will be retained by Bank of Scotland in a separate account.

2. The Company reserves the right to present all cheques and banker's drafts for payment on receipt, to retain Renounceable Letters of Allotment and surplus application moneys pending clearance of the successful applicants' cheques and to reject any application in whole or in part.

3. By completing and delivering an Application Form you (as the applicant(s)):—

   (a) offer to purchase the number of Ordinary Shares (with Warrants attached) specified in your Application Form (or any smaller number for which the application is accepted) at 100p per Ordinary Share (with Warrants attached) subject to the Listing Particulars, these terms and conditions and the Memorandum and Articles of Association of the Company;

   (b) authorise Bank of Scotland to send a fully paid Renounceable Letter of Allotment for the number of Ordinary Shares (with Warrants attached) for which your application is accepted and/or a crossed cheque for any moneys returnable, by post to your address (or that of the first-named applicant) as set out in your Application Form and to procure that your name (together with the name(s) of any joint applicant(s)) is/are placed on the register of members of the Company in respect of such Ordinary Shares (with Warrants attached) the entitlement to which has not been effectively renounced;

   (c) agreed that your application may not be revoked until after 31st August, 1992 and that this paragraph constitutes a contract between you and the Company which will become binding upon despatch by post or delivery of your Application Form duly completed to Bank of Scotland;

   (d) warrant that your remittance will be honoured on first presentation;

   (e) agree that any Renounceable Letter of Allotment and any moneys returnable to you may be retained pending clearance of your remittance;

   (f) agree that all applications, acceptances of applications and contracts resulting therefrom will be governed by, and construed in accordance with, Scots law and that you submit to the jurisdiction of the Scottish Courts;

   (g) warrant that, if you sign the Application Form on behalf of another party, or on behalf of a corporation, you have due authority so to do;

   (h) confirm that in making such application you are not relying on any information or representation in relation to the Company other than those contained in the Listing Particulars and you accordingly agree that no person responsible solely or jointly for the Listing Particulars or any part thereof will have any liability for any such other information or representation; and

   (i) confirm that you have reviewed the restrictions contained in paragraph 5 below and warrant as provided therein.

4. No person receiving a copy of the Listing Particulars or the Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the UK wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including the obtaining of any requisite governmental or other consents and observing any other formalities requiring to be observed in such territory, and paying any issue, transfer or other taxes required to be paid in such territory.

5. The Ordinary Shares and Warrants have not been and will not be registered under the US Securities Act of 1933 ("the Securities Act"). The Ordinary Shares and Warrants may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States or to US Persons. Persons subscribing for Ordinary Shares and Warrants as part of the distribution thereof (including renouncees submitting Renounceable Letters of Allotment for registration) shall be deemed, and persons subscribing for Ordinary Shares in connection with the exercise of Warrants shall be required, to represent and warrant to the Company that they are not US Persons and that they are not subscribing for such Ordinary Shares or Warrants for the account of any US Persons, and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such Ordinary Shares or Warrants in the United States or to US Persons. As used herein, "United States" means the United States of America (including each of the States and the District of Columbia), its territories or possessions, or other areas subject to its jurisdiction and "US Persons" means any person who is a citizen or resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States or any political sub-division thereof and an estate or trust which is subject to United States federal income taxation regardless of the source of its income.

6. Acceptance of applications will be effected by notification of the basis of allocation to the London Stock Exchange as soon as possible after the application list closes.

7. All documents and cheques sent by post will be at the risk of the person(s) entitled thereto.

8. Subject to receipt of valid applications pursuant to the Offer in respect of at least 6,250,000 Ordinary Shares (with Warrants attached), the Company will allot to those persons who have given firm undertakings to apply for a minimum of 4,701,400 Ordinary Shares (with Warrants attached) in the Offer the number of Ordinary Shares (with Warrants attached) to which their undertakings relate so as to satisfy their applications in full. Subject to the foregoing, the basis of allocation will be decided by the Company in consultation with Williams de Broë (applications being scaled down on a pro-rata basis in the event that the Offer is oversubscribed) but, without affecting its discretion, the Company will endeavour where possible to satisfy applications in full.

9. Save where the context requires otherwise, terms defined in the Listing Particulars bear the same meaning when used in this paragraph headed "Terms and conditions of application".

SELLING COMMISSIONS

Authorised financial intermediaries who return valid Application Forms bearing their stamp and SIB number will be paid 3 per cent. commission. Financial intermediaries should keep a record of all Application Forms submitted bearing their stamp to substantiate any claim for selling commission. Bank of Scotland, New Issues, will collate the Application Forms bearing the financial intermediaries stamps and calculate the selling commission payable, which will be paid by the end of August 1992.

LODGING OF APPLICATION FORMS AND AVAILABILITY OF LISTING PARTICULARS

Completed Application Forms, accompanied by a cheque or banker's draft for the appropriate amount, should either be sent by post or delivered by hand to Bank of Scotland, New Issues, Apex House, 9 Haddington Place, Edinburgh EH7 4AL or, by hand only, be delivered to Bank of Scotland, New Issues, 3rd Floor, Broad Street House, 55 Old Broad Street, London EC2P 2HL, in both cases so as to arrive not later than 2.00 p.m. on 20th August, 1992.

Copies of the Listing Particulars and Application Forms are available for collection only, for two business days following the date of publication of this document from The Company Announcements Office, the London Stock Exchange, Old Broad Street, London EC2 and, until the Offer closes, from the following:—

Glasgow Investment Managers Limited 29 St. Vincent Place Glasgow G1 2DR	**Bank of Scotland** New Issues Apex House 9 Haddington Place Edinburgh EH7 4AL
Williams de Broë Plc 6 Broadgate London EC2M 2RP	**Bank of Scotland** New Issues 3rd Floor Broad Street House 55 Old Broad Street London EC2P 2HL

Williams de Broë Plc is a member of the Securities and Futures Authority Limited

PROCEDURE FOR APPLICATION

1. **Put in Box 1 your full name and address (please use BLOCK CAPITALS).**
2. **Put in Box 2 (in figures) the number of Ordinary Shares for which you wish to apply, which must be a minimum of 500. Applications for more than 500 Ordinary Shares must be made in multiples of 500 (i.e. 1,500, 2,000, 2,500 etc.). You will receive one Warrant (without further payment) for every five Ordinary Shares subscribed.**
3. **Put in Box 3 the amount you are paying for the number of Ordinary Shares shown in Box 2.**
4. **Sign and date the Application Form in Box 4.**
5. **Attach your cheque to Box 5 with a pin. It should be for the exact amount you have put in Box 3.**

   No receipt will be issued.

   You should pay by personal cheque drawn on your bank or building society account or by a draft drawn on a UK clearing bank.

   In each case your cheque must be drawn in sterling and bear a UK bank sort code number in the top right hand corner. It should be payable to "Bank of Scotland A/c SHIRESCOT Offer" and crossed "Account Payee — Not Negotiable".
6. You may apply to hold the Ordinary Shares which you enter in Box 2 jointly with up to three other persons aged 18 or over. As joint applicants, they should complete and sign in Box 6.

   Notes:

   (i) In the case of joint applications, documents of title, return cheques and other correspondence will be sent to the first-named applicant on the basis of the registration details provided. If you intend to transfer any allotment of Ordinary Shares (with Warrants attached) into a PEP you should not make a joint application, since joint applications cannot be renounced or transferred into a PEP.

   (ii) The Application Form may be completed by any agent on the same basis as a principal applying for Ordinary Shares.

   (iii) The Application Form should be signed on behalf of a corporation by an authorised officer.

   Photocopies of Application Forms will not be accepted.

   If you require any help in completing the Application Form please telephone the SHIRESCOT helpline, Tel. 071-374 2022.

SHIRES HIGH-YIELDING SMALLER COMPANIES TRUST PLC

SHIRESCOT

APPLICATION FORM

Applications and cheques must be received by 2.00 p.m. on 20th August, 1992. Before completing this Application Form, you should read the sections entitled "Terms and conditions of application" and "Procedure for application" herein.

Please send the completed form (i) by post, to Bank of Scotland, New Issues, Apex House, 9 Haddington Place, Edinburgh EH7 4AL or (ii) by hand to Bank of Scotland at that address or at New Issues, 3rd Floor, Broad Street House, 55 Old Broad Street, London EC2P 2HL.

1 REGISTRATION DETAILS — BLOCK CAPITALS PLEASE

Title: Mr/Mrs/Miss/Ms/Other	Full Forename(s)
Surname	
Permanent Address	
	Postcode

2 I/We offer to subscribe for [ ] Ordinary Shares (with Warrants attached) in Shires High-Yielding Smaller Companies Trust plc at a price of 100p per share on the terms and conditions of application set out in the Listing Particulars dated 22nd July, 1992.

3 I/We enclose a cheque or banker's draft drawn on itself by a UK clearing bank made payable to "Bank of Scotland A/c SHIRESCOT Offer" and crossed "Account Payee — Not Negotiable" for £

4 Signature | Date 1992

5 Pin your cheque or banker's draft here.

6 For joint applications please complete the following:—

Title	Full Forename(s)	Surname	Signature

Authorised Person's Stamp
SIB No.

For office use only			
Application No.	Shares allotted	Amount received £	Amount payable £
Amount returned £	Cheque No.	Commission £	Cheque No.

COMMODITIES AND AGRICULTURE

Platinum falls in hectic trading

By Kenneth Gooding, Mining Correspondent

PLATINUM'S PRICE fell sharply in hectic trading in London and New York yesterday following an announcement that another automotive catalyst using palladium instead of platinum had been developed in Japan.

In spite of assertions by the industry that the Japanese development would have little, if any impact, on the platinum market, it sparked two waves of selling – initially among professionals as the news broke and later by US funds before trading began in New York.

Platinum closed in London at $380.85 a troy ounce, down $9.85.

Dealers suggested that the Japanese development was simply used as an excuse to sell by investors who had recently bought platinum because of growing political tension and violence in South Africa, the world's biggest producer and responsible for more than 65 per cent of supply.

However, chances of a serious interruption to platinum production seem to be drifting away. For example, a draft peace charter was drawn up in South Africa last week by unions and business leaders which might be ratified soon. The accord could head off the general strike planned for August 3 and limit it to one day.

Why European and New York markets did not react to this development on Monday is not clear.

However, yesterday the Japanese National Institute for Resources and Environment (NIRE) brought attention back to platinum briefly by announcing it would give details of its new automotive catalyst next week. Automotive catalysts provide platinum's biggest market but Mr Brian Nathan, managing director of Ayrton Metals, pointed out that NIRE referred only to diesel catalysts which already are based on palladium, a cheaper material, rather than platinum or rhodium.

He also pointed out that NIRE had given no indication when the new catalyst, based on magnesium-alumate and palladium, would be available or in use.

Some analysts suggested last night that, as political tension eases in South Africa, the platinum price could ease back to $370 an ounce or even to $360 where it stood before its recent rise.

Guttman prepares to defend futures charges

By Barbara Durr in Chicago

MR LOU Guttman, chairman of the New York Mercantile Exchange, the world's largest energy market, has been forced to take a leave of absence from his duties, effective July 31, because of possible civil charges against him from the Commodity Futures Trading Commission, the US futures industry regulator.

Earlier this month, the CFTC's enforcement division served notice on Mr Guttman that it was preparing to ask the commission to file an administrative complaint against him and a former partner, Mr Harold Magid, because of a series of allegedly pre-arranged trades in 1989.

With that notification, the CFTC invited a response from Messrs Guttman and Magid, and once they have replied the commission will vote on whether to bring charges. The supposedly prearranged trades, which were executed by Mr Magid for the Guttman-Magid trading partnership called Harley Futures, did not involve customer monies and therefore do not entail charges of fraud.

The joint venture was liquidated in 1990.

In a letter to the board of Nymex, Mr Guttman emphatically denied that he was responsible for any wrongdoing.

Mr Barry Bohrer, Mr Guttman's lawyer, says that Mr Guttman will respond to the CFTC by the end of the month, arguing that the Nymex chief should not be held responsible for the allegedly illegal trades because he had nothing to do with them.

Mr Guttman has been Nymex chairman since 1988 and was not actively engaged in his trading partnership. He decided on taking a leave of his day-to-day duties as Nymex chairman in order not to have a cloud over the exchange. The futures industry has frequently been rocked by trading scandals and Mr Guttman appears to want to leave Nymex as untarnished as possible.

In 1990, Mr Karsten Mahlmann, then chairman of the Chicago Board of Trade, was forced to resign from his post because his trading firm, Stotler & Company, was charged with fraud.

Russia in call for oil investment lifeline

By Neil Buckley

RUSSIAN oil production could fall by 15 per cent both this year and in 1993 without foreign investment, an aide to Mr Yegor Gaidar, acting Russian prime minister, said yesterday.

Mr Sergei Roginko, an adviser on foreign investment projects in Mr Gaidar's secretariat, was in London to promote OGE '92, the first international oil industry trade fair in the autonomous republic of Tatarstan in October.

The exhibition is jointly backed by the Russian energy ministry and the Tatarstan government to highlight investment opportunities for foreign companies, despite Tatarstan's vote for self-rule in March, and a dispute between the two governments over shares of oil revenues.

"We are trying to stress our common interests," Mr Roginko said. He added that at least 5m tonnes of oil had been sold illegally in the past year by "speculators" who were "bleeding Russia dry" by buying oil cheaply for roubles and selling it for hard currency on the world market.

He pledged, however, that "serious" foreign investors prepared to make a long-term commitment could be exempted from the punitive Ecus28 a tonne (roughly $5 a barrel) export tariff the Russian government had been forced to implement to combat illegal exports.

Gulf Canada and Conoco had both recently secured exemptions from export tariffs, Mr Roginko said, and the White Nights project, operated by US companies Phibro Energy and Anglo Suisse with Siberian producer Varyeganneftegaz, was also negotiating possible exemption. The pledge will be welcomed by western companies, for which the export tariff has been a major disincentive for investment.

Raising Russian oil prices to world market levels could solve the problem of fraudulent exports, but the Russian government had concluded this could only be done gradually, otherwise it would "turn our economy upside down" and aggravate inflation, Mr Roginko said. He predicted the process would take "a couple of years".

Mr Roginko said investment of $5bn to $10bn was needed to halt the decline in output.

He said western technology could significantly extend the life of some fields and re-open many of the 15 per cent of wells now standing idle.

Metals upsurge showing signs of tarnish

Kenneth Gooding on why there are fears of another false dawn among LME traders

PRICES ON the London Metal Exchange have been rising strongly in recent weeks, turnover is high and some traders have dusted off the vintage champagne bottles to celebrate. The casual observer might well mistakenly assume that the LME's upbeat mood is signalling that a full-blown world economic recovery is on the way.

After all, LME traded metals – aluminium, copper, lead, nickel, tin and zinc – are essential to the industrialised world and are used for a wide variety of products.

But the LME is giving some distorted signals.

One reason for the present buoyancy is that US-based commodity funds have piled in with big "buy" orders. These funds have been excessively influenced by the tentative economic revival in the US, suggests Mr Neil Buxton, research manager at Metal Bulletin Research.

He says: "They see investment in metals as a good way to play that economic recovery. Metals prices have been falling since 1988-89 and other financial markets are not offering such good returns as in the past."

That is not to suggest the funds are entirely wrong. Most analysts believe that metals prices will finish this year at a higher level than they started it. "That's not saying much," Mr Buxton points out, "because they started at such a low level."

However, it will take some time before the overpowering economic gloom lifts sufficiently to justify a strong rise in metals prices.

As Mr David Humphries, an economist at the RTZ Corporation, the world's biggest mining group, suggests, metals demand in Japan, which accounts for about 18 per cent of world usage, will fall this year. Prospects in the European Community, accounting for 30 per cent, are looking dim because Germany, the driving force, is "coming off the boil". Only in the US, accounting for 25 per cent of world metals usage, is demand showing tentative signs of recovery.

Mr Graham Deller, analyst at the Metals and Minerals Research Services consultancy group, points out that OECD industrial production – an important indicator of potential metals demand – was lower in the first quarter this year than in the final quarter of 1991 and was unchanged in the 1992 second quarter. MMRS is looking for industrial production to improve by only 0.5 per cent this year.

"As industrial production usually leads metals prices by about six months, even if there is a pick-up in the second half of this year, we would not see any big pick-up in metals prices until late 1993 or even 1994," Mr Deller says.

What do the statistics tell us about metals markets in the first half of this year? The sharp price rises in June saw all the LME traded metals finish the month higher than they were in January (see table).

However, average prices of aluminium, copper, lead and nickel over the six months were all below their 1991 level. Tin's average price was up, braced by severe producer cuts that will leave the market substantially under-supplied this year.

The average zinc price was sharply up (by nearly 9 per cent) but this was caused by traders playing games and using options to cause a nasty technical squeeze in the LME's market for the second time in only six months.

LME Metal Price Changes (US cents a lb)

	Price on June 30	% change since Jan 1	Average for 1st half 1992	% change on 1991 ave.
Aluminium	59	+15.5	57.7	−5.2
Copper	110.5	+12.3	100.5	−2.2
Nickel	338.3	+3.9	338	−8.9
Zinc	61.7	+16.4	57.2	+12.1
Lead	27.7	+12.5	23.8	−4.8
Tin	322.7	+28.1	267	+5.1

The LME executive eventually had to step in on June 15 to limit the daily backwardation (the premium charged for metal for immediate delivery). This eased the situation but the LME is having to continue monitoring zinc because it seems very likely that the squeeze will re-emerge strongly in October.

Analysts suggest the same group of traders and producers who squeezed the zinc market in June have rolled their positions over to October. "They like this market and have no intention of selling. They are probably going to go longer," said one trader. "They have a million tonnes [a year] of production between them."

Copper, which recently touched its highest price in 18 months, is also being buoyed up by the threat of another LME squeeze in the fourth quarter of this year and early 1993. Traders suggest that Sumitomo of Japan, which caused an options-related squeeze last year and forced the LME executive to intervene in the copper market, is moving in the same direction again.

However, copper, the LME's "flagship" contract and the most heavily-traded, is also benefiting from the usual supply disruptions at a time when demand is holding up reasonably well. Most analysts say copper supply and demand are more or less in balance.

While there has been some drop in demand from Japan because of that country's slowing growth, the Chinese have re-emerged as substantial copper buyers this year. Mr Ted Arnold, metals specialist at Merrill Lynch, points out that the Chinese might buy 200,000 tonnes of copper in 1992, "which would take up all the slack from Japan".

Other metals are also likely to feel the impact of China's recent dramatic economic growth – its industrial production was up by an estimated 18 per cent in the first half of this year. "The potential for increased base metal demand from China is huge – and it will be tempered only by the availability of foreign exchange and the country's existing infrastructure," says Mr Euan Worthington, head of the mining team at S.G. Warburg, the financial services group.

Meanwhile, disturbances caused in metals markets by the collapse of the Soviet Union are by no means at an end.

"Although total exports from the former communist countries could be slightly down from the 1991 levels because of depressed prices, coupled with shortages of raw materials and closures because of environmental concerns, exports are still likely to be high by historical standards. They will therefore continue to act as a depressive influence on prices," says Mr Robin Bhar, consultant to Carr Kitcat & Aitken, part of the Banque Indosuez Group.

Aluminium and nickel will be hit particularly badly because exports of these from the Commonwealth of Independent States and the former eastern Europe have a bigger impact on western supply-demand balances than other metal exports.

On the positive side of the metals equation, Mr Nick Moore, analyst at Ord Minnett, part of the Westpac banking group, points out that stock levels remain relatively low, at less than 10 weeks of consumption compared with 15 to 20 weeks at the end of past recessions. The exception is aluminium, because of the Russian exports. But all metal stocks are likely to shrink quickly when demand picks up, he suggests – and prices go up as stocks go down.

LME traders meanwhile hope that the recent upsurge in business is not another false dawn. One said: "We've been staggering along for 18 months on wafer-thin margins and low prices. Now business has at least doubled. But will it hold?"

Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, is hopeful. He says: "On the LME genuine trade business from producers and consumers has risen. Brokers have increased their position-taking and there has been growing speculative interest from managed funds. There is a feeling that the metals cycle is on the turn."

India seeks rise in leather exports

By Kunal Bose in Calcutta

INDIA IS aiming for a 13.5 per cent growth in leather and leather products exports to $1.48bn in 1992-93 (April to March).

According to the Council for Leather Exports, India is capable of achieving this growth in spite of the continuing recession in European Community, the destination for more than 60 per cent of its leather exports, and the economic constraints on Russian buyers.

Last year, however, India's leather exports declined by 8 per cent in dollar terms.

Having already banned overseas sales of semi-finished leather, India will seek to raise further the share of value-added leather products in its export total by 3 per cent to 77 per cent in the current year.

The export target for leather garments is $370m, for shoe uppers $320m, for footwear $240m, for other leather goods $255m and for finished leather $295m. The country plans gradually to phase out the export of finished leather.

The council has urged the federal government to give Russia immediately a technical credit of $40m to enable it to pay for last year's imports of shoe uppers and garments and also open letters of credit for fresh imports. A large number of Indian exporters to Russia have closed shop because they have not been paid for earlier shipments.

While Germany will remain by far the largest importer of Indian leather, the council points out that the US, the UK, Italy, France, Spain and Australia are also important buyers.

Leather export prospects have improved following the steps taken by Indian manufacturers to control the incidence of carcinogenic substances in leather.

India has the largest bovine population in the world, estimated at 250m. This gives an idea of the unrealised export potential of leather. But the country has still not been able to organise scientifically the collection of carcasses and the preparation and preservation of the hides.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,715-1,745 (1,730-1,755).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.60 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.75-0.95 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 22.00-23.50 (22.50-23.50).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 140-160 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.35-2.40 (2.35-2.45).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 53-62 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.00-2.15 (2.00-2.10).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.75 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+2,200	to 1,311,325
Copper	−150	to 257,825
Lead	−175	to 145,150
Nickel	+636	to 26,286
Zinc	+375	to 336,550
Tin	+85	to 14,380

WORLD COMMODITIES PRICES

MARKET REPORT

LONDON Metal Exchange contracts generally rallied yesterday afternoon after values had been hit in early trading by a wave of liquidation. Most base metals closed with losses still showing, but the rally continued in after-hours "kerb" trading. This took LEAD, which closed £4 down for cash at £334 a tonne, near to a fresh 12-month high as the market was supported by trade buying and reports of Chinese offtake. ZINC resisted the early downtrend and support held at around $1,320 a tonne for three months metal, although it was unsettled by Monday's LME announcement that the market was again being "closely monitored" because of concern over a developing technical supply squeeze. The later rally carried the three months zinc price to $1,344.50 at the close, down $14 on the day, and to $1,355 a tonne by the end of kerb trading. TIN rallied particularly strongly, as early short-covering prompted fresh buying, and ended with a substantial recovery from the recent decline. The cash position closed $170 higher at $6,880 a tonne and made a further gain after hours. COCOA futures rallied from early lows, raising hopes of consolidation after recent losses.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.30-8.35	+0.75
Brent Blend (dated)	$20.00-0.05	+0.10
Brent Blend (Sep)	$20.15-20.20	+0.10
W.T.I (1 pm est)	$21.45-1.50y	+0.10

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$224-227	+3
Gas Oil	$182-184	-2
Heavy Fuel Oil	$84-86	+0.50
Naphtha	$196-198	+2
Petroleum Argus Estimates.		

Other		+ or -
Gold (per troy oz)♣	$357.85	-0.20
Silver (per troy oz)♣ §§	396.0c	-3.00
Platinum (per troy oz)	$380.90	-9.85
Palladium (per troy oz)	$88.75	-0.75
Copper (US Producer)	119.5c	-0.15
Lead (US Producer)	38.9c	+1.53
Tin (Kuala Lumpur market)	16.53r	+0.15
Tin (New York)	313.0c	-2.50
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	110.75p	+1.72*
Sheep (live weight)†♣	78.74p	+2.34*
Pigs (live weight)†	85.26p	-3.01*
London daily sugar (raw)	$272.8w	-6.4
London daily sugar (white)	$299.0w	-6.0
Tate and Lyle export price	£253.50	+1.0
Barley (English feed)	£110.00w	
Maize (US No. 3 yellow)	£150.0	
Wheat (US Dark Northern)	Unq	
Rubber (Aug)♥	51.25p	+0.50
Rubber (Sep)♥	51.25p	+0.50
Rubber (KL RSS No 1 Jul)	221.0r	
Coconut oil (Philippines)§	$530.0t	-15.0
Palm Oil (Malaysian)§	$380.0y	
Copra (Philippines)§	$345.0	-5.0
Soyabeans (US)	£138.50	+4.5
Cotton "A" Index	65.20c	-0.20
Wooltops (64s Super)	377p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Sep/Oct w-Jul/Aug y-Sep z-Aug. †Meat Commission average fatstock prices. * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices §§Correction for 16/7/92 394.0c

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	243.20	243.00	241.80	
Oct	223.80	225.40	225.20	222.40
Dec	210.00	212.00	207.20	206.00
Mar	209.80	212.00	210.00	209.60
White	**Close**	**Previous**	**High/Low**	
Oct	272.50	274.50	275.00	271.50
Dec	270.00	271.50	271.00	269.20
Mar	273.00	274.50	274.50	271.50
May	276.50	278.10	277.00	275.00
Aug	281.50	280.60	283.00	280.00
Oct	274.50	271.60	275.00	274.00
Dec	274.50	270.30	274.00	

Turnover: Raw 408 (218) lots of 50 tonnes. White 519 (331) Paris- White (FFr per tonne): Oct 1379.37 Dec 1368.24

CRUDE OIL – IPE ($/barrel)

	Close	Previous	High/Low	
Sep	20.21	20.24	20.38	20.10
Oct	20.18	20.26	20.36	20.10
Nov	20.14	20.20	20.21	20.06
Dec	20.08	20.10	20.25	20.14
Jan	19.93	19.85	20.06	
Feb	19.80	19.75	19.90	
Mar	19.75	19.65		
Apr	19.64	19.55	19.60	
May	19.55	19.45	19.50	
IPE Index	20.11	20.37	20.11	

Turnover 17000 (13868)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low	
Aug	186.50	185.50	188.00	186.25
Sep	188.00	187.00	189.75	188.00
Oct	190.50	189.00	191.50	190.25
Nov	192.50	191.00	193.25	192.50
Dec	194.00	192.50	195.00	193.25
Jan	192.50	191.00	194.00	192.50
Feb	189.00	187.00	189.00	189.00
Mar	185.00	183.50	186.00	186.00
Apr	182.00	181.50	183.25	182.00

Turnover 13469 (9544) lots of 100 tonnes

COTTON

Spot and shipment sales in Liverpool for the week ending 17 July amounted to 114 tonnes against 103 tonnes in the previous week. Sales were low and occurred mainly in West African growths.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
Jul	561	555	561	545
Sep	570	560	572	555
Dec	598	589	601	584
Mar	630	620	631	613
May	649	639	649	633
Jul	667	659	663	651
Sep	686	679	687	684
Dec	713	705	712	702
Mar	740	735	740	738

Turnover: 3521 (5362) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 21 713.10 (746.84) 10 day average for Jul 22 762.71 (767.40)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low	
Jul	770	761	749	745
Sep	781	776	782	762
Nov	787	779	787	769
Jan	800	794	799	782
Mar	815	812	815	798
May	830	830	818	814
Jul	845	-	834	834

Turnover: 2036 (2859) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 21: Comp. daily 49.43 (50.11) 15 day average 48.67 (48.48)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low	
Apr	70.9	71.8	72.1	71.0

Turnover 89 (98) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Oct	-	118.00	

Turnover 0 (25) lots of 20 tonnes.

FREIGHT – London FOX ($10/Index point)

	Close	Previous	High/Low	
Jul	1070	1075	1070	1065
Aug	1100	1095	1100	1065
Sep	1125	1135	1125	
BFI	1060	1061	1060	

Turnover 54 (112)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low	
Sep	111.55	112.25	111.55	111.40
Nov	114.60	115.00	114.65	114.35
Jan	118.25	118.50	118.25	117.80
Mar	121.10	-	121.10	120.90
May	124.00	-	124.00	
Jun	125.30	-	125.30	
Barley	**Close**	**Previous**	**High/Low**	
Sep	109.40	110.20	109.40	109.35
Nov	113.30	113.60	113.30	113.00
May	121.00	-	121.00	

Turnover: Wheat 310 (150), Barley 144 (18). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Oct	103.0	-	102.5	102.5
Jan	99.0	-	98.0	98.0
Feb	100.0	-	98.0	98.0

Turnover 5 (0) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 24,426 lots
Cash	1318-9	1316.5-7.5	1317.5/1317.5	1317-7.5		
3 months	1342-3	1340-1	1344/1336	1341-1.5	1340-1	172,724 lots
Copper, Grade A (£ per tonne)						Total daily turnover 23,296 lots
Cash	1335-6	1334.5-5.5	1340/1339	1339-40		
3 months	1357-8	1355.5-6.0	1361/1354	1359.5-60.5	1360-1	138,283 lots
Lead (£ per tonne)						Total daily turnover 7,159 lots
Cash	333.5-4.5	337.5-8.5		335-6		
3 months	345-5.5	347.5-8.0	353/344	346-6.5	350-1	26,852 lots
Nickel ($ per tonne)						Total daily turnover 3,190 lots
Cash	7490-500	7480-90	7492/7492	7492-5		
3 months	7560-5	7550-60	7585/7540	7560-5	7560-5	25,742 lots
Tin ($ per tonne)						Total daily turnover 3,270 lots
Cash	6875-85	6705-15		6795-805		
3 months	6915-25	6750-5	6970/6800	6840-50	6945-55	11,616 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 24,760 lots
Cash	1322-3	1337-8	1314/1314	1313-4		
3 months	1344-5	1358-9	1360/1323	1334-5	1355-6	72,567 lots

LME Closing £/$ rate: SPOT: 1.9095 3 months: 1.8780 6 months: 1.8485 9 months: 1.8209

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	357.70-358.00	
Opening	357.70-358.05	
Morning fix	357.40	188.036
Afternoon fix	358.10	188.325
Day's high	358.30-358.60	
Day's low	357.00-357.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.92	6 months	2.93
2 months	2.93	12 months	2.96
3 months	2.93		

Silver fix	p/troy oz	US cts equiv
Spot	207.33	396.00
3 months	213.75	398.40
6 months	219.25	402.00
12 months	230.15	410.25

GOLD COINS

	$ price	£ equivalent
Krugerrand	357.00-359.00	187.00-189.00
Maple leaf	368.05-370.40	-
New Sovereign	85.50-87.00	45.00-47.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1300	46	77	14	25
1350	19	49	37	46
1400	6	29	74	74
Copper (Grade A)	**Calls**		**Puts**	
2550	58	78	40	69
2600	38	56	66	118
2650	20	40	100	151
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
750	73	12	64	27
800	17	38	34	51
850	6	75	22	65
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
550	28	9	63	14
575	14	20	47	23
600	6	37	34	35
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
2000	55			
2050	[illegible]			
2100	[illegible]			

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	357.6	359.1	0	0
Aug	358.1	359.6	359.1	357.4
Sep	358.9	360.4	0	0
Oct	359.9	361.3	360.8	359.3
Dec	361.9	363.2	362.8	361.1
Feb	363.8	365.1	364.5	363.0
Apr	365.7	367.0	368.1	365.0
Aug	370.5	371.1	370.5	370.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	376.0	389.6	381.6	379.0
Oct	376.6	390.3	383.5	375.0
Jan	373.6	387.3	380.0	371.5
Apr	373.4	387.2	380.0	372.5
Jul	373.1	386.9	381.0	375.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	393.7	396.3	393.5	393.5
Aug	394.5	397.2	0	0
Sep	395.5	398.2	397.0	394.5
Dec	399.6	402.3	401.0	398.5
Jan	401.1	403.8	0	0
Mar	404.0	406.7	405.0	403.0
May	406.9	409.6	406.0	406.0
Jul	409.8	412.5	0	0
Sep	412.7	415.4	414.0	414.0
Dec	417.6	420.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	115.35	114.85	115.40	114.60
Aug	115.40	114.95	115.50	114.40
Sep	115.50	115.00	115.60	114.30
Oct	115.00	114.40	0	0
Nov	114.75	114.15	0	0
Dec	114.55	113.90	114.60	113.35
Jan	114.00	113.30	0	0
Feb	113.50	112.80	0	0
Mar	112.95	112.20	113.00	111.70
Apr	112.35	111.55	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.97	9.99	10.10	9.92
Mar	9.57	9.59	9.70	9.54
May	9.49	9.53	9.62	9.48
[illegible]	9.44	9.47	9.54	9.42
[illegible]	9.32	9.35	9.42	9.42

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Aug	21.78	21.79	21.90	21.59
Sep	21.55	21.61	21.73	21.38
Oct	21.44	21.53	21.62	21.30
Nov	21.37	21.49	21.57	21.29
Dec	21.29	21.43	21.53	21.20
Jan	21.19	21.34	21.40	21.08
Feb	21.08	21.25	21.27	20.97
Mar	20.98	21.14	21.16	21.07
Apr	20.87	21.03	21.05	21.00

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Aug	5987	6060	6110	5980
Sep	6083	6147	6185	6075
Oct	6178	6239	6275	6170
Nov	6268	6330	6360	6260
Dec	6348	6410	6445	6360
Jan	6373	6430	6460	6390
Feb	6278	6330	6360	6290
Mar	6049	6095	6125	6090
Apr	5828	5875	5915	5860
May	5663	5715	5755	5755

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	934	928	950	925
Dec	991	988	1006	987
Mar	1039	1037	1054	1042
May	1069	1068	1082	1075
Jul	1095	1098	1110	1110
Sep	1125	1122	1135	1129
Dec	1161	1160	1175	1170
Mar	1210	1198	1211	1201
May	1240	1227	1245	1240

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	58.55	57.35	58.40	58.20
Sep	61.80	60.05	62.10	59.45
Dec	63.60	62.05	64.10	61.60
Mar	65.80	64.45	66.10	64.10
May	69.65	68.45	69.90	68.20
Jul	71.00	70.25	71.00	70.50
Sep	72.75	71.75	73.00	72.75
Dec	76.50	75.45	76.50	76.50

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	62.82	63.00	63.45	62.80
Dec	61.70	61.89	62.34	61.65
Mar	62.67	63.00	63.40	62.80
May	63.67	63.70	63.70	63.60
Jul	64.06	64.05	64.25	64.25
Oct	63.35	63.45	0	0
Dec	63.31	63.31	63.31	63.31

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	116.85	118.70	117.60	116.60
Nov	112.50	112.10	113.00	112.25
Jan	112.20	111.60	112.35	111.50
Mar	112.50	111.80	112.70	111.80
May	112.80	112.30	0	0
Jul	112.55	112.05	113.00	113.00
Sep	112.55	112.05	0	0
Nov	712.55	112.05	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul 21	Jul 20	mnth ago	yr ago
1558.8	1557.9	1562.6	1694.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul 20	Jul 17	mnth ago	yr ago
Spot	118.04	118.05	-	123.07
Futures	118.97	119.67	-	123.02

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	556/0	558/0	558/4	556/0
Aug	558/2	557/6	560/4	557/6
Sep	559/4	559/2	562/2	559/0
Nov	563/6	563/2	566/2	563/0
Jan	571/4	571/2	573/6	571/0
Mar	580/2	579/4	582/0	579/4
May	586/6	586/2	589/4	586/4
Jul	591/0	590/4	593/4	590/4
Aug	589/0	588/4	0	0
Nov	582/0	581/4	583/4	581/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	18.96	18.88	19.05	18.85
Aug	19.00	18.90	19.05	18.88
Sep	19.19	19.10	19.24	19.06
Oct	19.36	19.25	19.40	19.23
Dec	19.66	19.54	19.69	19.53
Jan	19.79	19.69	19.85	19.69
Mar	20.06	19.96	20.15	19.99
May	20.33	20.25	20.45	20.28
Jul	20.59	20.51	20.65	20.55
Aug	20.70	20.62	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	173.5	173.3	174.0	173.1
Aug	174.0	174.1	174.7	173.7
Sep	174.8	175.0	176.8	174.8
Oct	193.1	193.5	194.5	193.0
Dec	192.4	192.5	193.4	192.0
Jan	191.7	191.9	192.5	191.6
Mar	190.6	190.9	192.0	190.6
May	189.3	189.9	190.5	189.2

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	227/0	223/6	227/4	225/0
Sep	227/0	226/4	227/6	226/2
Dec	230/6	230/2	232/2	230/2
Mar	239/0	238/6	240/2	238/4
May	244/2	244/2	245/4	244/2
Jul	248/4	248/2	249/4	248/0
Sep	247/4	247/2	0	0
Dec	247/4	247/0	248/0	247/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	344/0	338/4	344/2	339/4
Sep	342/2	340/4	342/4	339/6
Dec	351/0	349/6	351/4	348/4
Mar	353/0	352/0	353/4	351/0
May	344/0	343/4	344/2	342/0
Jul	325/6	326/2	326/0	325/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	72.825	73.475	73.450	72.900
Oct	72.875	73.325	73.350	72.825
Dec	70.975	71.425	71.525	70.900
Feb	70.325	70.650	70.700	70.300
Apr	71.500	71.975	71.900	71.400
Jun	68.900	69.250	69.250	68.900
Aug	67.500	68.100	68.100	67.500

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	45.450	46.050	46.250	45.250
Aug	43.250	43.775	43.875	43.150
Oct	38.550	39.275	39.375	38.500
Dec	39.675	40.225	40.425	39.625
Feb	40.600	41.025	41.200	40.600
Apr	39.550	39.800	39.800	39.350
Jun	45.250	45.350	45.250	45.050
Aug	43.500	43.600	0	46.500

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	31.550	33.560	33.600	31.650
Aug	28.275	30.150	30.100	28.150
Feb	37.850	39.850	39.500	37.650

ملكا | من الأصل

Little strength behind modest rally

By Terry Byland,
UK Stock Market Editor

BETTER news on UK mortgage rates and a steadier performance by sterling helped London share prices to rally yesterday from the severe shakeout of the previous session. But there was little enthusiasm behind the recovery and the FT-SE Index was never able to recapture its opening gain of nearly 23 points.

The scene for a market recovery was set overnight by the UK government's move to reduce upward pressures on mortgage charges by cutting the interest rate on its latest National Savings bond, which has been draining deposits away from the building societies. A rebound in stock index futures also encouraged the UK market to join in the rally in European bourses prompted by central bank support for the US dollar on the previous day.

But the early gain faded as it became clear that genuine investment support was restrained by continuing uncertainty over the background both for economic progress and interest rates. In the light of the National Savings bond rate change, one of Britain's largest building societies withdrew its warning that higher mortgage rates were planned, but some City analysts said that higher home lending rates remained a danger.

After returning almost to overnight levels, the market began to move forward again, but traced an erratic course, largely under the influence of the stock index futures. The final reading showed the FT-SE Index at 2,415.6 for a net gain of 11.9.

At the close, London was ignoring an early gain of 16 points on the Dow Average as Wall Street responded to the address to the Senate of Mr Alan Greenspan, head of the Federal Reserve Board.

Traders and strategists alike laid stress on the poor trading volume in the stock market. "The market was dead," said the leading trader at a Japanese house. Seaq volume totalled 421.2m shares, compared with 456.3m in the previous dramatic trading session.

But Stock Exchange statistics disclose that on Monday, when the Footsie at one time showed its biggest fall since the Moscow coup in August 1991, retail, or customer business was worth only £950m. For three weeks, daily retail volume has rarely moved above the £1bn mark regarded as profitable for the London securities industry.

"In spite of the sound argument that equities are outstandingly cheap, the institutions simply won't buy them at present," said a senior dealer at a UK investment bank. "They are buying UK government bonds."

The impending sale of 330m Wellcome shares, for which the offer closes on Friday, is also blamed for keeping the institutions out of the stock market. Traders will be glad to see this deal out of the way, but were unimpressed by reports that the Wellcome shares might be sold at a 5 per cent discount to the current market price.

The best news of the day, according to the market, came when British Airways confirmed that it is gaining valuable access to the US airline business by taking an equity stake in USAir Group.

Account Dealing Dates

*First Dealings:	Jul 13	Jul 27	Aug 10
Option Declarations:	Jul 23	Aug 6	Aug 20
Last Dealings:	Jul 24	Aug 7	Aug 21
Account Day:	Aug 3	Aug 17	Sep 1

*New time dealings may take place from 8.30 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	July 21	July 20	July 17	July 16	July 15	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.19	88.96	89.33	89.58	89.54	84.72	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.69	105.69	106.14	106.24	106.22	94.45	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share ●	1831.0	1824.1	1852.1	1890.8	1896.2	2006.1	2149.7 (22/5)	1824.1 (20/7)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	96.7	95.8	94.0	92.5	88.2	203.4	160.6 (10/1)	83.6 (8/7)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2415.6	2403.7	2431.9	2483.4	2486.4	2587.9	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1109.52	1109.13	1131.06	1151.06	1152.00	1178.52	1248.78 (11/5)	1109.13 (20/7)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	5.04	5.05	4.98	4.89	4.89	4.74				
●Earning Yld %(full)	7.26	7.27	7.17	7.04	7.04	8.32				
●P/E Ratio(Net)(*)	17.35	17.32	17.57	17.90	17.90	14.78				
SEAQ Bargns 5.00pm	20,485	23,153	20,460	19,491	19,206	33,349				
Equity Turnover(£m)†	-	950.0	903.9	1063.2	831.0	1204.09				
Equity Bargains†	-	24,883	22,546	22,418	22,226	33,180				
Shares Traded (ml)†	-	387.3	413.8	445.9	357.8	535.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 = AM 10.14

Ordinary Share Index, Hourly changes Day's High 1842.6 Day's Low 1824.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1842.6	1832.3	1828.3	1830.1	1835.2	1832.0	1834.4	1832.7	1829.4

FT-SE 100, Hourly changes Day's High 2426.6 Day's Low 2404.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2426.2	2414.2	2410.2	2415.1	2421.1	2416.4	2419.5	2417.9	2412.5

FT-SE Eurotrack 200, Hourly changes Day's High 1114.36 Day's Low 1106.01

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1106.79	1106.63	1107.53	1112.36	1113.14	1112.65	1113.00

GILT EDGED ACTIVITY

Indices*	July 20	July 17
Gilt Edged Bargains	88.6	92.3
5 – Day average	92.2	90.9

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index. Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

Wellcome worries increase

FURTHER selling of Wellcome prompted suggestions from some dealers that the planned share issue might have to be scaled down to take account of market weakness. Pressure from two small securities houses and from the options market was said to be behind a fall of 12 to 833p in the shares yesterday. Wellcome is now an even tighter market than usual, with few traders prepared to buy stock ahead of next week's share flotation.

Wellcome Trust, the governing charity, is hoping to sell 330m shares through investment bank Robert Fleming, although some dealers were suggesting yesterday that the flotation might have to be scaled back to 200m. Fleming has said it has received indicative bids for more than 250m shares and is understood to be convinced that UK institutions will be happy to buy Wellcome stock at around 800p when the tender process ends on Friday.

However, if the price continues to fall, institutions could find themselves in the bizarre situation of paying for the floated shares at a premium to the price in the market.

Reuters above worst

A sharp fall for Reuters shares following the group's interim results surprised many in the market. The stock tumbled 70 from the day's high, but picked up later to close a net 25 off at 1126p on further consideration of the company's trading report.

Marketmakers focused initially on a newswire headline which appeared to indicate that revenues, rather than the percentage growth, would be under pressure. However, further appraisal showed that the first-half profit of £187.4m was towards the upper end of forecasts and cash holdings were strong at £600m.

Mr John Clarke of Daiwa, the Japanese securities house, commented: "The earnings are of the very highest quality. With cash continuing to increase there is no reason for Reuters to lose its premium rating."

BA advances

News that British Airways is to pay $750m for a 21 per cent voting stake in USAir, giving it a 21 per cent voting stake in America's fourth largest carrier, was well received in the stock market. Share volume in BA soared to 10m in strong two-way business as the stock advanced 10 to 268p.

Earlier, the shares had moved forward in light trade with the market, but the announcement drove the shares to a day's peak of 275p, before profit-takers arrived.

Mr Chris Tarry at Kleinwort Benson Securities said: "This deal goes much of the way to combat competition from BA's main US rivals, United Airlines and American Airlines." Another analyst, however, commented: "British Airways appears to have paid a high price in a buyers' market."

Enterprise weak

The focus of attention among oil exploration and production stocks shifted away from Lasmo and moved to Enterprise Oil as its shares retreated 13 more to 319p, their lowest since April 1988.

The price was unsettled early by the sale of a block of 400,000 shares at 319p, a 7p discount to the prevailing market price. The move accompanied growing unease about lack of news on the expected sale of Enterprise's stake in the Hudson field in the North Sea.

Sector specialists have been waiting for many weeks for news of the Hudson sale, which is expected to raise around £25m. C. Itoh, the Japanese holding company, has been rumoured to be the buyer of the stake.

HSBC put on 7 to 346p, responding to much better than expected figures from Marine Midland, the bank's US subsidiary.

Monday's rally in Lasmo came to an abrupt halt, with the shares slipping 4¼ to 126¼p on good turnover of 3.2m in the wake of some determined selling by one of the leading London brokers.

There was a suggestion that one of the UK banks, a big corporate lender to the oil sector, had revised downwards its oil price forecasts and was reducing its revolving credit facilities to some oil groups.

BP settled 3 up at 203p after confirmation of the biggest ever traded options deal in the UK market, involving the equivalent of 20m BP shares.

Strong hints in the market that British Steel's broker, UBS Phillips & Drew, had taken the stock off its buy list led to a retreat in the share price which made it the day's worst performing component of the FT-SE 100 Index.

The shares gave up 2¼ to 56¼p in brisk trade of 11m amid suggestions that the broker had cast doubts about the level of this year's dividend.

Simon Engineering fell 16 to 190p after broker Smith New Court downgraded its current-year dividend expectation.

The market responded well to first-half results from SmithKline Beecham, the "A" shares rising 13¼ to 457p and the units 12 to 412p. Profits of £254m were at the top of a £248m to £254m market forecast range. SmithKline announced a dividend of 2.075p which was in line with expectations and several houses were recommending the stock.

Glaxo saw healthy trade following good buying in New York on Monday night. The stock moved ahead 28 to 716p, principally boosted by the company's defensive qualities. Lehman has been telling clients that sales in the UK of the oral version of the company's anti-migraine drug Imigran could have reached $30m (£15.7m) this year.

Newsagent John Menzies maintained a firm tone after Monday's better than expected results led to an upgrading by County NatWest. The securities house said it is looking for profits of £28m next year, compared with a previous estimate of £25.5m. The shares gained 2 to 385p.

Northern Foods rallied 10 to 594p, after losing ground on Monday ahead of this week's annual meeting.

Property shares bounced following the recent spate of depressing statistics showing an all-time low for the sector against the FT-Actuaries All-share Index. Broker recommendations helped British Land to improve 3 to 184p and Slough Estates 5 to 122p. Growing belief that Greycoat would maintain its dividend left the stock 5 firmer at 33p.

Mirror Group Newspapers gained a further 5 to 63¼p on heavy turnover of 16m shares as talk that a stakebuilder is at work refused to die away.

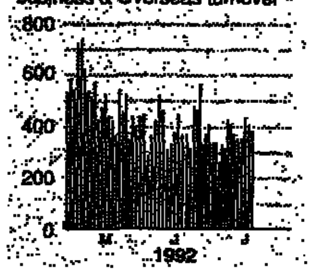
MARKET REPORTERS:
Joel Kibazo, Colin Millham, Christopher Price, Peter John, Steve Thompson.

■ Other market statistics, Page 16

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	39	458	+10	Comm Union	558	435	-3	Lonrho	1,100	80	-2	Shell Transport	3,400	474	-1
ASDA Group	7,500	26¾	-½	Cookson	498	136	-1	Lucas	215	110	-1	Siebe	374	663	+1
Abbey National	1,600	266	-1	Courtaulds	579	465	-7	MB Caradon	908	220	-5	Slough Ests	1,800	122	+5
Albert Fisher	2,500	36½		Dalgety	589	395	+8	MEPC	293	260	+5	Smith (W H) A	1,000	388	-1
Allied-Lyons	937	611	-2	De La Rue	82	553	+1	Manweb	271	354	-2	Smith & Nephew	581	142½	
Amstrad	1,600	32	-1½	Dixons	1,700	195	+11	Marks & Spencer	2,100	303	+1	SmKl Beecham	5,300	457	+13½
Anglian Water	166	404	-5	Eastern Elect	958	280	+1	Midlands Elect	295	315	-8	SmKl Beecham Uts	884	412	+12
Argos	536	219	+4	East Midland Elect	836	290	-7	NFC	301	238	+1	Smiths Inds	177	266	+1
Argyll Group	2,000	353	-1	Eng China Clays	734	462	-13	NatWest Bank	2,800	317	-8	Southern Elect	1,300	306	-5
Arjo Wiggins	1,800	214	-7	Enterprise Oil	958	319	-13	National Power	1,100	246		South Wales Elect	59	353	-11
Ass. Brit. Foods	45	402	-2	Eurotunnel Units	190	318	+5	Next	1,600	87	+1	South West Water	273	415	-7
[illegible]															
Brit. Aerospace	1,900	218	+3	IMI	183	340	+1	Rolls Royce	2,300	146	-2	Utd. Newspapers	441	380	-6
British Airways	10,000	268	+10	ICI	1,000	1132	-3	Rothmans	372	1074	+4	Vodafone	1,500	313	+10
British Gas	4,000	245½	+½	Inchcape	1,000	430	+2	Ryl Bk Scotland	1,200	177		Warburg (SG)	153	467	+2
British Land	481	184	+3	Kingfisher	2,100	430	-7	Royal Insurance	1,900	190	+5	Wellcome	584	833	-12
British Steel	11,000	56½	-2½	Kwik Save	588	643	+2	Saatchi	73	121		Welsh Water	577	448	-7
Bunzl	39	87		Ladbroke	2,700	175	-2	Sainsbury	1,600	442	-2	Wessex Water	26	490	-4
Burmah Castrol	552	543	-7	Land Securities	532	383	+3	Scottish & New	1,200	440	-5	Whitbread 'A'	1,000	399	
Burton	387	38	+1	Laporte	44	558	+2	Scot Hydro-Elect	965	301		Williams Hldgs	1,100	256	-2
Cable & Wire	673	531	-6	Legal & General	461	341	+2	Scottish Power	433	186	-1	Willis Corroon	1,200	201	-3
Cadbury Schweppes	1,300	474	-1	Lloyds Abbey	294	360	+1	Sears	1,900	76		Wimpey	37	117	
Calor Group	11	182	-1	Lloyds Bank	1,100	418	-2	Sedgwick	2,800	167	+7	Wolseley	14	323	+3
Carlton Comms	205	574		LASMO	3,200	125½	-4½	Seeboard	352	314	-7	Yorkshire Elect	783	352	-4
Coats Viyella	206	176		London Elect	973	300	-6	Severn Trent Water	511	394	-4	Yorkshire Water	262	454	+1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

A LARGE deal in the traded options sector boosted turnover, enlivening an otherwise featureless day in the derivatives markets, writes Joel Kibazo.

Following light trading at the opening, traded options were enlivened by a big trade in BP when broker Strauss Turnbull, said to have been acting for Lehman brothers, "crossed" 20,000 of the July 160 calls. There was speculation in the market that the deal had been carried out for tax purposes.

British Aerospace was the second most active stock option with a total of 1,909 contracts dealt, BZW a strong buyer of the November 260 call, the day's busiest series.

Total turnover in traded options reached 46,759 contracts with a total of 5,002 lots dealt in the FT-SE 100 option.

In stock index futures, the FT-SE contract for September delivery experienced a volatile session. With economic worries continuing, independent traders led the contract down and it fell to the day's low point of 2,411. Bargain hunters, however, prompted a turnround and, by noon, September had reached its peak of 2,440 before drifting lower. September closed at 2,424, up 8 on the previous close but 7 points below its estimated fair value premium to cash of about 18. Turnover at 8,120 was reasonable.

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Jul 21 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Jul 20 Index No.	Fri Jul 17 Index No.	Thu Jul 16 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (176)	748.76	....	7.88	6.00	16.20	20.19	748.42	762.65	776.96	830.40
2 Building Materials (22)	793.62	-0.3	6.84	7.06	19.88	25.58	796.27	806.22	824.14	1066.93
3 Contracting, Construction (28)	682.80	+0.2	5.09	8.75	43.10	25.20	681.35	701.59	716.87	1154.83
4 Electricals (9)	2271.62	-0.9	7.61	6.65	17.01	68.82	2291.89	2357.34	2404.43	2440.93
5 Electronics (28)	1892.92	+0.9	8.52	4.60	14.62	44.82	1876.62	1871.74	1898.15	1691.35
6 Engineering-Aerospace (6)	311.91	-0.2	11.68	8.35	10.83	11.27	312.44	325.19	333.69	416.54
7 Engineering-General (43)	469.92	+0.4	8.76	5.13	14.13	11.44	468.00	478.74	484.67	450.19
8 Metals and Metal Forming (7)	291.60	-1.8	5.74	7.56	25.54	6.92	296.82	294.43	301.23	448.86
9 Motors (14)	324.52	-0.1	8.18	7.25	16.08	10.04	324.73	333.96	345.16	328.10
10 Other Industrial Materials (19)	1594.33	....	7.78	5.21	15.48	36.53	1594.08	1637.14	1664.47	1589.30
21 CONSUMER GROUP (189)	1548.49	+0.5	7.88	3.70	15.58	24.61	1540.22	1556.57	1581.30	1521.17
22 Brewers and Distillers (24)	1995.79	-0.1	8.29	3.66	14.55	29.60	1997.05	2029.17	2066.65	1848.32
25 Food Manufacturing (19)	1200.95	+0.2	8.98	4.40	13.77	26.01	1198.14	1222.18	1241.05	1199.35
26 Food Retailing (18)	2717.33	....	8.98	3.36	14.52	44.70	2718.70	2756.30	2803.79	2731.49
27 Health and Household (24)	3818.11	+2.2	7.23	2.77	15.77	37.92	3736.44	3724.67	3772.56	3669.89
29 Hotels and Leisure (18)	1103.05	-0.7	7.28	6.20	17.85	23.64	1110.42	1138.56	1168.66	1263.55
30 Media (27)	1496.42	-0.1	6.79	3.53	18.29	27.19	1497.54	1496.77	1522.28	1438.99
31 Packaging, Paper & Printing (17)	729.86	-0.8	7.06	4.53	17.16	14.76	735.76	750.63	761.41	745.74
34 Stores (33)	963.91	+0.4	7.82	3.87	16.89	16.96	960.12	973.11	984.24	974.05
35 Textiles (9)	624.21	....	7.52	4.97	16.74	14.72	624.52	640.08	654.28	569.09
40 OTHER GROUPS (118)	1217.26	+0.3	10.23	5.42	12.20	25.61	1213.65	1234.08	1255.39	1252.44
41 Business Services (17)	1289.10	+0.8	6.59	4.00	18.48	20.78	1278.50	1323.90	1364.57	1303.48
42 Chemicals (22)	1352.07	-0.3	7.80	5.38	15.72	33.10	1355.63	1379.94	1398.39	1406.36
43 Conglomerates (11)	1198.13	+1.9	10.40	7.86	12.06	23.62	1175.30	1203.22	1237.21	1476.74
44 Transport (14)	2291.92	+1.4	8.61	5.15	14.32	54.40	2261.03	2333.30	2390.85	2192.27
45 Electricity (16)	1332.25	-0.6	14.82	5.51	8.54	38.33	1340.56	1350.26	1354.01	1220.70
46 Telephone Networks (4)	1381.00	+0.1	11.27	4.78	11.57	21.77	1379.38	1399.45	1423.15	1489.17
47 Water (11)	2797.16	-0.7	16.04	6.19	6.90	86.85	2816.17	2828.52	2840.97	2461.61
48 Miscellaneous (23)	1974.57	+0.4	5.70	4.99	23.11	29.19	1966.34	1991.31	2038.10	1997.76
49 INDUSTRIAL GROUP (483)	1242.94	+0.4	8.64	4.66	14.39	24.22	1238.31	1255.78	1276.93	1266.89
51 Oil & Gas (17)	1861.06	+0.1	8.14	7.64	16.16	63.73	1859.75	1849.50	1903.54	2509.42
59 500 SHARE INDEX (500)	1303.26	+0.3	8.59	4.96	14.55	27.32	1298.80	1314.59	1338.32	1371.71
61 FINANCIAL GROUP (85)	692.43	+0.7	-	6.51	-	20.06	687.57	700.84	721.71	801.72
62 Banks (9)	926.87	+1.1	7.11	5.90	19.95	24.58	916.63	930.75	956.56	925.68
65 Insurance (Life) (6)	1411.89	-0.6	-	6.31	-	44.26	1420.70	1447.62	1512.50	1509.51
66 Insurance (Composite) (7)	448.25	+0.7	-	7.76	-	13.46	445.18	461.25	480.84	657.50
67 Insurance (Brokers) (10)	757.94	+0.5	10.23	8.57	12.86	30.14	753.87	768.71	797.81	1190.24
68 Merchant Banks (7)	438.32	+0.2	-	4.93	-	11.25	437.63	446.49	450.71	425.46
69 Property (31)	571.33	+1.1	10.19	8.02	13.28	19.44	565.38	577.72	589.65	902.99
70 Other Financial (15)	235.38	-0.8	7.71	7.44	17.56	6.63	237.18	240.09	241.97	250.70
71 Investment Trusts (70)	1112.70	+0.3	-	4.03	-	19.26	1109.71	1132.68	1141.12	1227.88
99 ALL-SHARE INDEX (655)	1157.21	+0.4	-	5.13	-	25.23	1152.75	1168.05	1190.56	1234.10

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 20	Jul 17	Jul 16	Jul 15	Jul 14	Year ago
FT-SE 100 SHARE INDEX‡	2415.6	+11.9	2426.6	2404.2	2403.7	2431.9	2483.4	2486.4	2484.0	2587.9

FIXED INTEREST

PRICE INDICES	Tue Jul 21	Day's change %	Mon Jul 20	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (24)	121.25	+0.08	121.16	1.26	7.77
2 5-15 years (24)	138.65	+0.19	138.77	2.14	7.72
3 Over 15 years (11)	150.25	+0.27	149.85	1.47	7.35
4 Irredeemables (6)	168.99	+0.42	168.28	2.05	7.34
5 All stocks (65)	135.73	+0.17	135.71	1.78	7.85
Index-Linked					
6 Up to 5 years (2)	172.94	-0.13	173.17	1.15	1.83
7 Over 5 years (10)	150.21	-0.35	150.74	0.38	3.09
8 All stocks (12)	152.15	-0.32	152.64	0.48	2.90
9 Debs & Loans (62)	121.41	+0.20	121.17	2.72	6.21

AVERAGE GROSS REDEMPTION YIELDS		Tue Jul 21	Mon Jul 20	Year ago (approx.)
British Government				
1 Low	5 years	8.35	8.38	9.07
2 Coupons	15 years	8.75	8.78	9.92
3 (0%-7¾%)	20 years	8.75	8.78	9.92
4 Medium	5 years	9.24	9.27	10.27
5 Coupons	15 years	8.97	9.00	10.11
6 (8%-10¾%)	20 years	8.92	8.95	10.05
7 High	5 years	9.48	9.51	10.44
8 Coupons	15 years	9.13	9.16	10.24
9 (11%-)	20 years	9.05	9.08	10.14
10 Irredeemables	†	9.03	9.07	10.12
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	4.16	4.11	4.42
12 Inflation rate 5%	Over 5 yrs.	4.45	4.42	4.37
13 Inflation rate 10%	Up to 5 yrs.	3.38	3.33	3.45
14 Inflation rate 10%	Over 5 yrs.	4.26	4.23	4.17
15 Debs &	5 years	10.53	10.55	11.89
16 Loans	15 years	10.32	10.35	11.68
17	25 years	10.19	10.22	11.47

‡Opening index 2426.2; 9 am 2414.2; 10 am 2410.2; 11 am 2415.1; Noon 2421.1; 1 pm 2416.4; 2 pm 2419.5; 2.30 pm 2421.3; 3 pm 2417.9; 4.10 pm 2413.4; (a) 8.31am (b) 9.13am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (6).
BANKS (1) Bk Scotland 9¾pc Pf, ELECTRONICS (1) Star Computer. FOOD MANUFACTURING (1) Barr (AG). INSURANCE LIFE (1) Torchmark. MEDIA (1) GWR. STORES (1) Etam.
NEW LOWS (138).
BRITISH FUNDS (2) Ex 13½pc '92, Tr 4⅛pc IL '30. BUILDING MATERIALS (11) Breedon, Evered Bardon, Hepworth, Heywood Williams, Do Cv Pf, Ibstock Johnsen, Johnston, Marshalls, RMC, Tarmac, Travis Perkins. BUSINESS SERVICES (2) Holmes Protection, Walpec. CHEMICALS (4) Anglo Utd, Caird, Hartons, Leigh Intrs. CONGLOMERATES (5) Cannon St Invs, Grampian, MB Caradon, Do 7¼pc Pf, Trafalgar A. CONTRACTING & CONSTRUCTION (7) AMEC 6½pc Pf, Conder, EBC, Gleeson (MJ), Higgs & Hill, London & Clydesdale, Ward Hldgs. ELECTRICALS (2) BICC, Dowding & Mills. ELECTRONICS (4) Alphameric, Logica, Peek, Process Systems. ENGINEERING AEROSPACE (2) Brit Aerospace, FR. ENGINEERING GENERAL (9) Aerospace, Bridon, Fenner, Hopkinsons, Howden, Meggitt, Ransomes, Record, Simon. FOOD MANUFACTURING (5) Borthwicks, Clifford, Do N/V, Matthews (B), Northumbrian. FOOD RETAILING (1) Thorntons. HEALTH & HOUSEHOLD (3) London Intl, Wellcome, Whatman. HOTELS & LEISURE (7) Brent Walker, Ex Lands, Forte, Friendly, Queens Moat Hse 7½pc Pf, Resort, Surrey. INSURANCE BROKERS (4) Heath (CE), Hogg, JIB, Steel Burrill Jones. INSURANCE COMPOSITE (1) Trade Indemnity. INVESTMENT TRUSTS (14) City of Oxford, Contl Assets, Drayton Korea Wts, Fleming Amer Cv '99, Fleming Far Eastern, Fleming Universal, Foreign & Col Smllr Co's, Govett Oriental, River Plate Cap, Schroder Japanese Wts, Scottish Nat Inc, Siam Selective Growth, Sumit, TR Property. MEDIA (3) Home Counties, SelecTV, Trans World Comms. MERCHANT BANKS (1) Close Bros. METAL & METAL FORMING (4) ASW, Cook (Wm), Firth (GM), Lee (A). MISCELLANEOUS (7) Beckenham, Lionheart, Ricardo, Sinclair (Wm), Strong & Fisher, UDO, Waste Mangt. MOTORS (1) Perry. OIL & GAS (4) Aviva, Clyde, Command, Enterprise. OTHER FINANCIAL (3) Bancaire Cie, East German Inv, Ivory & Sime. OTHER INDUSTRIAL MATERIALS (3) Brown & Tawse, Whitecroft, Williams 8p Pf. PACKAGING, PAPER & PRINTING (3) Arjo Wiggins Appleton, Hunterprint, Kymmene. PROPERTY (12) Bilton, Bolton, Capital & Regnl Prop, City Site Ests, Clayform, Grainger, Hammerson, Merivale Moore, Ossory Ests, Southend, Warner Est, Whinney Mackay-Lewis. STORES (6) Alexon, Austin Reed N/V, Fired Earth Tiles, Kingfisher, Lloyds Chems, Do 7½p Pf. TEXTILES (2) Atkins, Sherwood. TRANSPORT (4) Clarkson (H), Norex, P & O, Seafield. MINES (2) Devex, Kenmare.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Exch 12¼pc 1992		100⅞xd	—	101¼	100⅞	12.22	9.99
13½pc 1992		100½	-⅛	102⅛	100½	13.43	9.92
Treas 8¼pc 1993		99¼xd	—	99⅞	97⅜	8.31	9.58
10pc 1993‡‡		100⅛	—	100½	99⅜	9.98	9.87
12½pc 1993‡‡		102⅜	—	103⅜	101⅜	12.20	9.78
[illegible]							
Conversion 10pc 1996		102¼	+⅛	103⅛	98⅜	9.78	9.31
Treas 13¼pc 1997‡‡		113⅜	+¼	114⅜	110⅜	11.68	9.47
Exch 10½pc 1997		104⅜xd	+⅛	105⅜	100⅜	10.06	9.27
Five to Fifteen Years							
Treas 8¾pc 1997‡‡		98¼	+⅛	99⅛	94	8.91	9.16
8¾pc 1997 D		98¼	+⅛	99⅛	98⅛	8.91	9.18
Exch 15pc 1997		122⅛	+¼	128⅜	118⅛	12.29	9.55
9¾pc 1998		102⅜	+⅛	103⅛	97⅜	9.54	9.21
Treas 6¾pc 1995-98‡‡		91⅜	+⅛	93⅛	86⅜	7.35	8.54
15½pc '98‡‡		127⅜	+⅜	129⅜	123⅜	12.15	9.49
Exch 12pc 1998		112⅜	+⅜	113¼	107⅜	10.68	9.35
Treas 9½pc 1999‡‡		102½	+⅛	103⅜	97⅜	9.27	8.96
Exch 12¼pc 1999		114⅜	+⅜	115⅜	109½	10.74	9.34

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		105⅜	+⅛	107⅜	101⅜	9.96	9.18
Conversion 10¼pc 1999		105⅜	+⅛	108⅜	100⅜	9.71	9.18
9pc 2000‡‡		99⅞	+⅛	100⅜	94⅜	9.01	9.01
9% 2000 C		99⅞	+⅛	100⅜	98⅜	9.04	9.01
Treas 13pc 2000		119⅜	+⅛	121⅛	114⅜	10.85	9.39
10pc 2001		105xd	+⅛	105¼	99⅜	9.52	9.14
[illegible]							
8pc 2009		92	+¼	93⅜	85⅜	8.70	8.90
Conv 9pc Ln 2011‡‡		101⅛	+⅜	102⅜	93⅜	8.91	8.87
9pc 2011 B		99⅜	—	102	93⅜	9.01	8.77
Treas 9pc 2012		101⅜xd	+⅜	102⅜	93⅜	8.89	8.85
9pc 2012 A		71⅜	—	72⅜	69⅜	8.89	8.85
Treas 5½pc 2008-12‡‡		70	+¼	70⅜	62⅞	7.86	8.66
7¾pc 2012-15‡‡		89½xd	+¼	90⅜	81⅜	8.66	8.82
Exch 12pc '13-17		129⅜	+⅜	130⅜	120⅛	9.29	8.91
Treas 8¾pc 2017		99⅜xd	+¼	101	97⅛	8.94	8.77
Undated							
Consols 4pc		43⅜xd	—	44½	39⅞	9.13	-
War Loan 3½pc‡‡		38⅜	+⅛	39⅛	35⅜	8.98	-
Conv 3½pc '61 Aft		82½	+⅛	82⅞	59	5.60	-

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 3pc '66 Aft		32⅜	+⅛	32⅝	29⅜	9.27	-
Consols 2½pc		27⅜	+⅛	27⅜	24⅜	9.83	-
Treas. 2½pc		27½	+⅛	27¾	24⅜	9.09	-
Index – Linked	(b)					(1)	(2)
Treas. 2pc '94	(102.9)	128¾	-⅛	127⅝	122⅛	2.66	4.15
[illegible]							

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
African Dev 11¼ 2010		114⅛	+¼	115⅜	105⅞	9.75	9.45
Asian Dev 10¼pc 2009		108⅜	—	109⅜	100⅜	9.47	9.26
B'ham 11½pc 2012		112½	+¼	113½	102¾	10.22	10.06
Ireland Cap 8½pc '10		98⅛	—	98¼	88⅜	9.43	-
9pc Cap 1996		92⅜	-⅛	99⅜	90	9.74	-
13pc '97-02		105¼	-¼	115½	103⅞	12.29	-
Hydro Quebec 15pc 2011		146⅜	+⅜	141⅜	130⅞	10.70	10.16
Leeds 13½pc 2006		124	+¼	125	116¼	10.89	10.28
Liverpool 3½pc Irred		32½	—	33¼	30	10.77	-
LCC 3pc '20 Aft		30½	—	30⅜	27	9.84	-
Manchester 11½pc 2007		110½	—	111¼	103¼	10.41	10.12
Met. Wtr 3pc 'B'		60½	—	61	53	4.95	8.60
N'wide Anglia 3⅞pc 2021		108½	—	111¼	103¼	-	5.40
4⅛pc IL 2024		109¼xd	—	110¼	103¼	-	5.21
Utd Mex States 16½pc 2008		123½	—	126	121½	13.36	12.97

Appointments Advertising
appears every
Wednesday & Thursday
Friday
(in the international edition only)

TAX-FREE* SPECULATION IN FUTURES
To obtain your free Guide to how your Financial Bookmaker can help you, call Michael Murray or Ian Jenkins on 071-828 7233 or write to us: IG Index Plc, 9-11 Grosvenor Gardens, London SW1W 0BD

SATQUOTE
REAL-TIME EUROPEAN AND U.S. STOCK MARKET DATA AND ANALYSIS AT REALISTIC PRICES
★ ALSO FUTURES ★ OPTIONS ★ BONDS ★ FX AND NEWS ★
CALL • LONDON 71-329-3377 – FRANKFURT 49-69-639125

WORLD STOCKMARKETS. WHERE NEXT?
IF YOU HAVE A VIEW, TAKE A POSITION
CONTACT: ADRIAN FRANCIS ON 071-245 1010
ECU TERMINVEST PLC, 29 CHESHAM PLACE, SW1X 8HL
MEMBER OF THE SECURITIES AND FUTURES AUTHORITY

Market Myths and Duff Forecasts for 1992
"The recession is over; stockmarkets are in a bull trend; the US dollar will continue to recover." You did NOT read that in FullerMoney - the Iconoclastic investment letter.
Call Jane Farquharson for a sample issue (once only)
Tel: London 71 - 439 4961 (071 in UK) or Fax: 71 - 439 4966

TRADING STRATEGIES & IDEAS
Currencies • Bonds
Energy • Metals &
Oil Markets
Setting The Trend For Others To Follow
Trend Analysis Ltd
Fiennes House
32 Southgate Street
Winchester
Hants SO23 9EH
Tel: 0962 879764
SFA member

MEMBER SFA
FT-SE 100
Where next?
Call for our current views
CAL Futures Ltd
162 Queen Victoria Street
London EC4V 4BS
Tel. 071-329 3030
Fax 071-329 3918

Notice of Early Redemption
To the Holders of

Campbell Soup Company

US$ 100,000,000 10½% Notes due 1995

NOTICE IS HEREBY GIVEN THAT, pursuant to the provisions of the Fiscal Agency Agreement dated as of September 1, 1985 (the "Fiscal Agency Agreement"), between Campbell Soup Company (the "Company") and Bankers Trust Company, as Fiscal Agent, and in accordance with Clause 6(a) of the Terms and Conditions of the Notes, the Company will redeem all of the outstanding Notes at a redemption price of 101% of the principal amount on the next interest payment date being September 1, 1992, after which date, interest on the Notes will cease to accrue. Subject to the receipt of required funds by the Fiscal Agent, repayment of principal will be made upon presentation of the Notes with all unmatured coupons attached, at the offices of any one of the Paying Agents listed below:

Bankers Trust Company
1 Appold Street
Broadgate
London
EC2A 2HE,
England

Banque Indosuez, Luxembourg
39 Allée Scheffer
L-2520 Luxembourg

Credit Suisse
Paradeplatz 8
8001 Zurich
Switzerland

Banque Indosuez Belgique S.A.
Place Sainte Gudule 11
1000 Brussels
Belgium

Accrued interest due September 1, 1992 will be paid in the normal manner against presentation of Coupon No. 7, on or after September 1, 1992.

Campbell Soup Company

Dated: July 22, 1992

THIS NEWSPAPER AND YOU

If you have a complaint about an item in this newspaper which concerns inaccuracy, intrusion, harassment or discrimination, write to the editor about it.

If you're still dissatisfied you can write to the Press Complaints Commission, an independent organisation established to uphold an editorial Code of Practice for the Press.

THIS NEWSPAPER ABIDES BY THE PCC'S DECISIONS

PCC

1 SALISBURY SQUARE LONDON EC4Y 8AE

Telephone 071 353 1248 Facsimile 071 353 8355

This space has been donated by the publisher

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs h	15 7/16xd	+1/16	18 1/8	14 5/8	13,097	2.0
♥Allegheny & W	289p	—	335p	226p	139.8	5.8
Amdahl	907p	-25	1169p	793p	1,016	0.6
Amer Cyanamid	30½	+⅛	37	28⅝	2,788	2.8
Amer Express	12 9/16xd	+3/16	13⅞	10 13/16	5,888	4.2
Amer T & T	23 7/16xd	+1/16	24⅞	20⅛	30,755	3.0
Ameritech	35⅝	+½	38 13/16	32½	15,587	5.2
BankAmerica	23 3/16xd	+1 1/16	27⅛	19 1/16	7,853	3.0
Bankers NY	31⅝xd	+1⅛	37¼	28⅞	2,621	4.6
Bell Atlantic	25⅛	+⅛	26¾	23⅛	10,816	5.4
BellSouth	27⅞	+⅛	29⅛	25	13,827	5.2
♥Bethlehem Steel	7 9/16xd	-1/16	9⅝	7	559.7	—
Bowater	1652pxd	+9	1579p	1016p	379.3	6.0
CPC h	25½xd	-¼	25¾	22⅝	3,862	2.5
♥Cadiz Land Inc	179p	—	342p	168p	—	—
California Engy	641p	-4	833p	620p	118.7	—
Campbell Soup	19¼xd	+1/16	23 3/16	17⅞	4,957	2.1
Chase Manhattan	13⅞xd	+⅛	18½	9⅛	1,950	4.5
Chrysler	10xd	+¼	11½	6¼	2,921	3.1
Citicorp	10½xd	+⅛	11¼	5⅛	3,683	—
Colgate-Palm	27⅜xd	+1/16	29 3/16	25¼	4,356	2.4
Cont'l Bank	933p	+14	1036p	499p	942.8	3.4
Dana	21⅞xd	+⅛	24½	14 9/16	890.8	3.8
Data General	487p	+24	1004p	398p	128.9	—
♥Decora Inds	104p	—	122p	66p	—	—
Dun & Brad	30⅞	+⅛	33½	27⅝	5,508	3.9
Eaton	39⅞	+1⅛	46½	32½	1,371	2.9
Echlin	9 13/16xd	—	11	7⅝	555.0	3.7
FPL	19 9/16xd	+1/16	20	18⅛	3,348	6.6
Fluor	20⅛	+½	27	19⅛	1,632	1.0
Ford Motor	23⅝	+¾	28⅜	15	11,470	2.2
Gen Elect	40 3/16xd	+1/16	46¼	39⅛	34,942	3.1
♥General Host	437p	—	555p	360p	—	4.3
Gillette	26 3/16xd	+1/16	29⅞	23 13/16	5,827	1.4
Hasbro	14⅞	—	16	12⅜	1,282	0.7
Honeywell	34½xd	+¾	43	33 3/16	2,409	2.5
Houston Inds	23½	+¼	25	22⅞	3,049	6.7
IBM	46⅝xd	—	54½	46¼	27,761	5.2
Ingersoll-Rand h	13⅞	—	19 1/16	13⅛	1,439	2.5
Lockheed	23½	+⅛	28⅞	22⅝	1,464	4.7
Lowe's h	1045p	+28	1273p	815½p	782.8	1.4
Merrill Lynch	26 7/16xd	+1 1/16	30 13/16	24⅜	2,789	1.9
Morgan (JP)	31⅞	+⅜	37½	28 1/16	5,972	3.8
Morris (Philip)	40 13/16xd	+1/16	45 3/16	37 13/16	37,541	2.7
NYNEX	42⅛	+⅛	44⅝	39⅝	8,667	5.7
For Pacific Agricultural see Cadiz Land Inc						
Pall	14	+¼	17 13/16	10 1/16	1,228	1.3
Pennzoil	24⅞xd	+½	30¾	23⅛	1,086	6.3
Quaker Oats	31 3/16xd	+1/16	40 1/16	28	2,380	2.9
Rockwell	12 3/16	+¼	15 13/16	11½	2,715	4.0
Rep NY	21¾xd	+⅛	26 1/16	20⅞	1,131	2.4
Sears, Roebuck	20½xd	+⅛	28	19 7/16	7,878	5.1
Sthwestern Bell	34⅞	-⅛	35⅞	31⅜	18,317	4.4
Sun Co	13¼xd	+1/32	16⅞	13⅛	1,486	7.3
Tenneco	18⅝xd	+1/16	25 1/16	18½	2,317	4.5
Texaco	32⅝xd	+¼	38⅞	30 13/16	6,434	5.1
Time Warner	58¼xd	+½	62⅛	46½	5,445	0.2
♥Unitab	320p	—	567p	320p	297.2	—
Utd Tech	26 3/16xd	+1/16	31¾	26⅛	3,215	3.6
URS Intl 1c	6¾p	—	1¼p	0¼p	2.38	—
US West	20½	+½	21 13/16	18¾	6,403	5.4
Varity	868p	-12	1058p	632p	218.6	—
Waste Manage	18⅛xd	+⅛	28	17 3/16	8,997	1.3
Whirlpool	1972pxd	+10	2799p	1974p	1,390	2.9
♥Woolworth	14	+1/16	18¼	13¾	1,825	4.2

CANADIANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
♥Abbot Energy	1¾p	—	2p	1¾p	—	—
Amer Barrick	1515p	—	1642p	1268p	2,134	0.3
Bk Montreal	20⅝	+¼	23¼	19½	2,608	4.7
Bk Nova Scot	1014p	+20	1178p	899p	2,066	4.7
♥BC Gas	717p	—	878p	663p	—	3.8
BCE	20⅝	+⅛	24½	19¼	6,399	5.7
♥Brascan	722p	+5	957p	704p	595.4	6.6
♥Breakwater	19½p	—	33p	6p	12.4	23.4
Can Imp Bk	1218p	+2	1810p	1157p	2,265	4.9
Can Pacific	782p	+11	938p	770p	2,492	1.9
4pc Deb	38	—	38	34	16.8	11.1
♥Dertan	239p	—	335p	235p	—	5.3
♥Echo Bay	369p	—	466p	300p	388.1	0.9
♥ECO	16½p	—	42p	12p	—	—
♥Gulf Can	242pxd	+3	490p	219p	383.9	—
♥Hawker Sid	10¾	+⅛	12⅝	10¼	88.4	4.6
♥Hudson's Bay	1174p	+34	1807p	1140p	350.7	3.1
♥Imperial Oil	19½xd	+⅛	21½	18⅜	3,779	3.5
Inco	16⅜xd	+⅛	19¼	13¾	1,770	2.8
♥Int Corona	315p	—	356p	315p	518.9	1.4
♥Muscocho	3½p	—	4 7/16p	1p	—	—
♥N A Tire Recycling	47p	+1	63p	34½p	1.66	—
Nova Corp Alberta	379pxd	+15	425p	319p	1,136	2.9
♥Rio Algom	732p	—	919p	675p	329.1	5.0
Royal Bk Can	1130p	+22	1416p	1016p	3,523	4.7
♥TVX Gold	152p	—	194p	143p	24.6	—
Toronto-Dom	816p	+18	944p	743p	2,456	4.7
♥Trans Can Pipe	788p	+17	888p	758p	1,354	4.4

BANKS

Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	£14¼	+1/16	£14¾	£12⅞	3,773	6.4	◆
ANZ A$ g	141	+4	197½	137	1,724	5.5	12.1
■Abbey National	266	-1	317	257	3,487	5.3	8.5
■Allied Irish I£	163	—	185	154	1,084	6.1	11.3
■Anglo Irish £I fg	37	—	50	35	44.5	10.9	5.4
Banco Bilbao Pta	£14 1/16xd	—	£16¼	£13¾	3,248	5.8	6.4
Banco de San Pta	£21⅝	-3	£30⅛	£21⅝	2,481	6.0	6.2
■Bk Ireland I£ s	152	-1	160	141	611.5	4.9	27.8
Bank Leumi (UK)	330	—	340	330	25.4	6.6	—
■Bank Scotland	108	+1	124	97½	1,242	5.4	16.6

هكذا من الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992 high	1992 low	Yld Gr's	NAV	Dis or Pm(-)
■Scottish Inv	†	166	+1	178	154	3.2	188.1	16.6
■ Warrants		24	—	38	24	—	—	—
■Scot Mortgage		146½	+½	167	139	3.5	171.8	14.6
■Scot National Inc		77½	−½	107	77½	15.2	—	—
■ Cap		22	—	42	12½	—	8.0	−175.0
Stepped Pf	†	141¼	—	142	126	5.6	—	—
Zero Div Pf		187	—	187½	166½	—	—	—
Warrants		4	—	9	3½	—	—	—
Scot Value	†a	62½	—	64	48	3.8	60.7	−2.2
Sec Alliance	†	1115	+10	1200	1105	4.2	1280.2	12.9
Second Market	§	228	—	244	222	6.9	281.9	19.0
■Sec Tst Scot		65	−½	75½	63	5.5	68.4	4.3
Select Assets		86	—	102½	86	1.4	126.2	31.9
Eq Ind Serl		112	—	123	109	5.8	—	—
Eq Ind SerII		113xd	—	129	109	5.8	—	—
Shires		217	−1	249	195	11.3	209.5	−3.6
11pc Cv Ln '03/04		£104½	—	£119½	£95½	10.5	—	—
Siam Select		69	—	91	68	2.6	90.9	24.1
Warrants		11	—	21	11	—	—	—
■Smaller Cos		75	—	85	67	4.4	84.9	11.6
Warrants		13	—	28	10	—	—	—
Somerset Tst		130	—	140	65	—	82.9	−56.8
■Sphere Inc	N	12	—	28	12	34.4	16.3	26.6
Zero Div Pf		72¾	−1	77¾	65¾	—	—	—
For Stratton Inv see Baring Stratton								
Stamb		36	—	65	35	4.6	109.1	67.0
■TR City of Lon	M	118½	+½	127½	97½	4.7	107.8	−2.5
■TR Euro Growth	s	76	—	90	76	1.8	93.7	18.8
Ptg Sub	s	43	—	54	43	3.1	—	—
■TR Far East Inc	M	87	+1	100	78	6.7	99.9	12.9
Warrants		16	—	22	12	—	—	—
TR High Inc		98xd	—	119	91	8.2	97.4	0.8
Sub	s	24xd			24			

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially UK listed; dealings permitted under Rule 535(2)
¶ Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other offical estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other offical estimates for 1991.
K Yield based on prospectus or other offical estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other offical estimates for 1991-92.
N Yield based on prospectus or other offical estimates for 1992.
P Figures based on prospectus or other official estimates for 1991
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

London Share Prices

Real time share prices are available by calling FT Cityline.

FT Cityline can also provide you with a confidential personal portfolio facility to give you a real time evaluation of your own personal investments.
For a free FT Cityline Share and Unit Trust Directory or to obtain your confidential Portfolio PIN call the FT Cityline Help desk on (071) 925 2128.
Calls charged at 36p per minute cheap rate and 48p per minute at all other times.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128

AUTHORISED UNIT TRUSTS

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS 071-280 2860

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	124 5	124.5	132 6	+3 20	0.00
(Accum Units)	5	133 0	133 0	141.7	+1 40	0.00
American Opps	5	49.18	49.18	52.46	+1.16	0.00
(Accum Units)	5	49 85	49 85	53.18	+1.16	0 00
British Blue Chip	5	59 64	59.71	63.70	-0 21	4 19
(Accum Units)	5	68.22	68.31	72.87	-0.24	4.19
Cash*	0	101 9	101.9	101 9	....	9.86
(Accum Units)*	0	123 4	123 4	123.4	....	9.86
European Growth	5	153.0	153.0	162.4	-3.90	0.56
(Accum Units)	5	162 4	162 4	172 4	-4.10	0.56
European Income	5	59 22	59 22xd	63 17	-0.94	3.72
(Accum Units)	5	73.97	73 97xd	78 91	-1.16	3.72
General	5	368.6	370 3	395.0	-3.10	3.07
(Accum Units)	5	685 0	688.2	734 1	-3 80	3.07
Global Bond	5	105.5	105.5	110 8	+1 00	6.67
(Accum Units)	5	112.4	112 4	118 1	+1 10	6.67

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

هكذا صدر الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ψ	5	249.5	249.5	265.4	+3.1	0.87
(Accum Units) ψ	5	292.7	293.7	312.4	+3.7	0.87
British	5	775.4	793.3	839.3	-0.6	6.42
(Accum Units)	5	1300.3	1330.4	1407.5	-1.0	6.42
European	5	333.2	333.2	354.9	-3.6	1.36
(Accum Units)	5	361.2	361.2	384.7	-3.6	1.36
Japan	5	86.98	86.98	92.45	+1.09	-
(Accum Units)	5	87.68	87.68	93.19	+1.1	-
New Pacific	5	198.9	199.3	212.3	+2.7	1.64
(Accum Units)	5	206.7	206.7	220.6	+2.8	1.64
Investment Tst June 12	0	134.1	136.8	145.0	-	2.50
Mngd Equity	5	121.1	122.2	129.3	+0.4	2.99
Mngd Equity Acc	5	128.5	129.7	137.2	+0.4	2.99
Mngd Cash	0	95.75	95.75	95.75	-	9.63
(Accum Units)	0	122.4	122.4	122.4	-	9.63
Majority Stg	1	99.85	99.85	100.85	+0.02	9.39
Majority Stg Acc	1	112.63	112.63	113.76	+0.02	9.39
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin. 5 Rayleigh Rd, Hutton, Brentwood, Essex.						
Enquiries: 0277 227300 Dealing: 0277 261010						
International Jul 15	0	48.02	48.02	49.40	-	1.53
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham 0403 232323						
Equity	6	984.9	592.0	633.2	+4.7	3.29
North America	6	75.59	75.59	80.84	+2.02	0.81
Far East	6	81.91	81.91	87.60	+1.48	0.46
W'wide Bond	6	47.68	47.68	50.72	+0.77	6.21
European	6	64.94	64.94	69.45	+0.61	1.64
Equity Income	6	63.80	64.72xd	69.22	+0.27	4.62
Portfolio	6	54.78	54.78	58.59	+0.57	1.81
UK Leading Cos	6	41.81	42.40	45.11	-	3.34
Broker Trusts						
Intnl Equity	6	42.53	43.08	46.08	-0.34	2.96
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants 0800 525725						
American Growth	6	24.94	24.94	26.68	+0.65	0.73
Managed Assets	6	96.06	96.78xd	103.51	-0.03	3.53
UK Income	6	29.07	29.45	31.58	-0.30	5.02
UK Growth	6	29.79	30.17	32.27	-0.11	3.43
Worldwide Growth	6	21.86	21.86	23.38	+0.22	1.41
Sun Life Trust Mngmt Ltd (1200)H						
101, Cannon St, London EC4N 5AD.						
Admin & Enq: 071-606 4044 Dealing: 071-606 6010						
Master Portfolio	5¼	31.20	31.20	33.37	+0.15	2.42

	Bid Price	Offer Price	+ or -	Yield Gross
Lazard Investors Ltd ##				
Exempt Funds				
Small Co's Jul 15	£3946.1	4115.9	-	3.58
European Jul 15	£576.5	582.5	-	1.56
American Jul 15	£326.0	328.8	-	1.82
Japan Jul 15	£384.8	390.4	-	1.67
Pacific Jul 15	£138.7	141.6	-	1.23
W Midlands Jun 30	£126.30	141.40	-	2.69
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Jun 30	189.30	193.10	-	8.25
Equity Jun 30	854.95	868.95	-	4.06
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Jul 20	106.15		-0.1	10.16
(Accum Units)	659.86		-0.4	10.16
NAACIF Jul 14	41.25		-	9.1
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Jul 21	123.7	132.9	-3.90	2.05
UK Small Co † Jul 21	473.0	520.2	-15.80	3.85
Fixed Interest † Jul 21	111.2	117.0	-0.50	8.55
US Small Co Jul 21	136.2	145.7	+1.90	0.00
Managed Jul 21	103.3	110.7	-2.90	3.62
Intl Bond Jul 21	122.3	129.0	-0.40	9.97
Japan Jul 21	54.51	58.10	-2.91	5.48
European Jul 21	87.78	94.14	-4.06	1.77
Nth American Jul 21	103.7	111.9	+0.90	1.40
Morgan Stanley International				
UK Exempt	£1042.61	1068.94	-	-
Overseas Exempt	£939.23	967.83	-	-
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
American Exempt	48.51	50.41xd	+1.08	1.56
European Exempt	47.94	49.43xd	-0.62	3.05
Fixed Int Ex Jul 15	47.14	47.60xd	-	9.05
Japan Exempt	32.86	33.88	+0.56	0.88
Managed Ex Jul 16	44.32	45.51	-	4.22
SE Asia Exempt	75.27	78.62	+0.83	2.08
Sm Cos Expt Jul 15	33.48	35.16	-	3.46
UK Eqty Ex Jul 15	40.95	42.64	-	4.34
Phillips & Drew Fund Management Ltd				
Small Co's Jul 2	677.02	720.83	-	3.66
Do Accum	790.39	842.55	-	3.66

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Pearl Assurance (Unit Funds) Ltd

Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or -	Yield Gross
Property Dist. (Gross)	135 3	142 5	-0.8	-
Property Acc. (Gross)	257 9	271 5	-1 6	-
Equity (Gross)	825 7	869 2	-4 1	-
Managed (Gross)	587 8	618 7	-2 8	-
Property Acc. (Net)	123 3	129 8	-0.7	-
Equity (Net)	192 6	202 8	-0 9	-
Adventurous Managed	89.4	94 1	-1 3	-
Managed (Net)	181 4	191.0	-0 8	-
Cautious Managed	96.2	101 3	-0 2	-
International (Net)	154 6	162.8	+1.2	-
Gilt & Fixed Interest	141 8	149 3	-0 5	-
Money Fund	140 4	147 8	...	-
Mixed Fund (Cap)	115 5	121 6	.	-
Mixed Fund (Acc)	130 1	136 5		-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	637.3	670.9	-1 5	-
Ret Man (Series 2)	216 2	227 6	-0 4	-
Ret Cash	198.2	208.6	.....	-
Pens Mixed Fd (Cap)	127 9	134 7		-
Pens Mixed Fd (Acc)	133 0	140 0	......	-
Pens Stlg Fd (Cap)	103 9	109 4	.	-
Pens Stlg Fd (Acc)	108.1	113 8		-

For Pioneer Mutual see Swiss Pioneer

Provident Mutual Life Asse. Assn. —Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pension Funds				
Managed Ord	445.8	469.3	+3 6	-
Managed Init	324 7	341 8	+2.6	-
Equity Ord	677 8	713.5	+7 5	-
Equity Init	493 6	519 6	+5.4	-
Pen Ind Lkd Gilt Ord	187 1	196 9	-0 9	-
Pen Ind Lkd Gilt Init	142.3	149 8	-0.7	-
Overseas Equity Ord	284.9	299 9	+3 7	-
Overseas Equity Init	207 5	218 4	+2.7	-
Property Ord	280 9	295 7	+0 1	-
Property Init	204 5	215 3	.....	-
Fixed Interest Ord	292 9	308 3	+0.3	-
Fixed Interest Init	213 3	224 5	+0.2	-
Deposit Ord	270 1	284 3	+0 1	-
Deposit Init	196 7	207 1	......	-

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Prufund				
Managed Jul 8	253 3	263.9	....	-

Prudential Corporate Pension Funds

1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Managed Funds				
Discretionary Jul 15	£182 05	187 91	.	-
Equity Jul 15	£209 06	216 21	. .	-
International Jul 15	£25 91	26 63		-
Intl Bond Jul 15	£14 10	14 31		-
Fixed Int Jul 15	£106 52	107 73	. . .	-
Index Linked Jul 15	£77 48	78 46	.	-
Property Jul 15	£109 63	115 68		-
Cash Jul 15	£30 9322	30 9322		-
Pru-Linked Retirement Plan				
Managed Jul 14	437 6	459.9		-
Cash Jul 14	283 9	295.8	.	-
Prudential Pensions Investment Account				
Pens Mngd Jul 22	171.3	184.2	+2.0	-
Pens UK Eq Jul 22	301.2	324 7	+4.1	-
Pens Intl Jul 22	183 9	197 8	+2.5	-
Pens Global Eqty Jul 22	94 9	99 9	+1.3	-
Pens Fixed Jul 22	241 1	254 5	+0 1	-

Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	131 0	138 0	+3 0	-
Building Soc. Fd	224 0	236 0	+1 0	-
Balanced	257 0	271.0		-
European	203 0	214 0	+1.0	-
GT Managed	180 0	190 0	. .	-
Gartmore Blogg	118 0	125.0	-1 0	-
German	129 0	136 0		-
Gilt	169 0	178 0	. .	-
Global	39 0	42 0		-
International Equity	188 0	198.0	+1.0	-
Japan	146.0	154.0	+1.0	-
Leisure	48 0	51 0	..	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Greenspan fails to boost dollar

THE DOLLAR extended its rally against the D-Mark at the start of European trading yesterday but showed new signs of weakness by the close, *writes James Blitz.*

The US currency continued to derive strength from Monday's concerted intervention by the Federal Reserve and European central banks to keep the dollar above its all-time low. In the morning it rose nearly two pfennigs to peak at DM1.5020 as corporate demand for dollars intensified. By lunchtime the rally had petered out and it retreated to close in London at DM1.4885. In New York the dollar finished a shade lower at DM1.4865.

The dollar is underpinned by the market's belief that if the currency tests its record low again, the central banks will intervene. Mr Angus Armstrong, an economist at Morgan Grenfell in London, commented: "The reputations of nearly a dozen central banks are at stake here, so I think they will be keen to underpin the dollar for now."

Yesterday's dollar downturn was partly due to the market's disappointment with the testimony on the US economy given by Mr Alan Greenspan, chairman of the Federal Reserve. He said US GDP would be in the area of 2.25 to 2.75 per cent in 1992, compared to a previous forecast of 1.75 to 2.50 per cent.

However, Mr Christian Dunis, a currency analyst at Chemical Bank in London, said Mr Greenspan's upward revision of US growth estimates for 1992 was unconvincing. "In recent times we have seen the Fed consistently over-optimistic about the economy," said Mr Dunis. "What the market did not want to hear was wishful thinking about the scope for a US economic recovery."

The dollar's later weakness could also be put down to the continued strength of the D-Mark, with many operators remaining convinced that the Bundesbank will put up its Lombard rate when it next meets in August.

A clear sign that the German currency has not been seriously weakened by the central bank intervention was the D-Mark's gain against the French franc yesterday. France has a trade surplus, while Germany has a trade deficit. The French also have an inflation rate 1 percentage point below Germany's. But the D-Mark still rose yesterday, ending at FFr3.3780, against a previous close of FFr3.3750.

The D-Mark was also firm against sterling, which has failed to track the dollar's rise in the last two days. The pound managed to finish unchanged at DM2.8425, but it was down in morning trading to DM2.8367. The Italian lira was weak in spite of the Bank of Italy's huge intervention on its behalf the previous day. It dropped to a low of L761.20 against the D-Mark, but improved later to L759.40.

£ IN NEW YORK

July 21	Close	Previous Close
£ Spot	1.9090 - 1.9100	1.9050 - 1.9060
1 month	1.13 - 1.12pm	1.20 - 1.19pm
3 months	3.21 - 3.19pm	3.30 - 3.28pm
12 months	11.25 - 11.15p	11.45 - 11.35p

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 21	Previous
8.30 am	91.8	92.6
9.00 am	91.8	92.6
10.00 am	91.7	92.6
11.00 am	91.7	92.6
Noon	91.9	92.5
1.00 pm	91.9	92.5
2.00 pm	91.9	92.3
3.00 pm	91.9	92.3
4.00 pm	91.9	92.2

CURRENCY RATES

Jul 21	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.748568	0.716338
U S Dollar	3.00	1.45866	1.35853
Canadian $	5.35	1.73435	1.62060
Austrian Sch	7.50	14.9425	14.3461
Belgian Franc	8.50	43.7087	41.9810
Danish Krone	9.50	9.17579	7.85437
D-Mark	8.75	2.12454	2.03821
Dutch Guilder	8.50	2.38826	2.29837
French Franc	10¼	7.16786	6.89184
Italian Lira	13.75	1616.28	1551.38
Japanese Yen	3.75	181.311	170.700
Norway Krone	–	8.34426	8.01943
Spanish Peseta	–	136.054	131.018
Swedish Krona	10.00	7.70756	7.40945
Swiss Franc	7.00	1.87438	1.81364
Greek Drach	19	261.275	250.296
Irish Punt	–	N/A	0.765328

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for July 20

CURRENCY MOVEMENTS

Jul 21	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.9	–20.2
U S Dollar	60.5	–18.5
Canadian Dollar	98.5	–2.7
Austrian Schilling	111.1	+12.9
Belgian Franc	113.0	–0.9
Danish Krone	111.1	+5.0
D-Mark	121.0	+26.9
Swiss Franc	110.5	+18.9
Dutch Guilder	116.0	+17.4
French Franc	106.0	–10.8
Lira	99.1	–19.8
Yen	139.6	+76.1
Peseta	107.3	–18.1

Morgan Guaranty changes, average 1980-1982 = 100. Bank of England Index (Base Average 1985 = 100). **Rates are for July 20

OTHER CURRENCIES

Jul 21	£	$
Argentina	1.8875 - 1.8905	0.9900 - 0.9910
Australia	2.5550 - 2.5570	1.3400 - 1.3410
Brazil	7416.55 - 7420.85	3889.75 - 3889.95
Finland	7.7620 - 7.7855	4.0530 - 4.0560
Greece	345.850 - 351.400	181.500 - 184.410
Hong Kong	14.7310 - 14.7445	7.7335 - 7.7345
Iran	2735.00*	1435.00*
Korea(Sth)	1491.35 - 1515.40	783.60 - 789.80
Kuwait	0.55275 - 0.55350	0.29000 - 0.29030
Luxembourg	58.95 - 59.05	30.85 - 30.95
Malaysia	4.7550 - 4.7670	2.4990 - 2.5000
Mexico	5718.00 - 5730.55	3115.25 - 3116.25
N Zealand	3.4755 - 3.4795	1.8240 - 1.8265
Saudi Ar	7.1430 - 7.2200	3.7495 - 3.7505
Singapore	3.0690 - 3.0765	1.6130 - 1.6140
S Af (Cm)	5.2530 - 5.2750	2.7590 - 2.7620
S Af (Fn)	7.3510 - 7.4000	3.8610 - 3.8835
Taiwan	47.00 - 47.15	24.65 - 24.75
U A E	6.9940 - 7.0715	3.6715 - 3.6735

*Floating rate. Iran Official rate £122.05 $63.30

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 21	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	173.892	–2.71	5.65	44
Spanish Peseta	133.631	131.018	–1.96	4.84	33
Belgian Franc	42.4032	41.9810	–1.00	3.82	36
D-Mark	2.05586	2.03821	–0.86	3.68	39
Dutch Guilder	2.31643	2.29837	–0.78	3.60	26
Irish Punt	0.767417	0.765328	–0.27	3.07	1
French Franc	6.89509	6.89184	–0.05	2.84	–11
Danish Krone	7.84195	7.85437	0.16	2.63	–19
Italian Lira	1538.24	1551.38	0.85	1.92	–54
Sterling	0.696904	0.716338	2.79	0.00	–55

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads, the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times

POUND SPOT - FORWARD AGAINST THE POUND

Jul 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8910 - 1.9150	1.9085 - 1.9095	1.14-1.12cpm	7.10	3.21-3.18pm	6.69
Canada	2.2595 - 2.2795	2.2770 - 2.2790	0.97-0.89cpm	4.90	2.78-2.66pm	4.78
Netherlands	3.1990 - 3.2100	3.2000 - 3.2100	¼-⅛cpm	0.70	⅝-⅜pm	0.62
Belgium	58.35 - 60.05	58.95 - 60.05	6-1cpm	0.71	12-7pm	0.64
Denmark	10.9260 - 10.9745	10.9325 - 10.9425	⅝-1⅛oredis	–0.82	1-2⅜dis	–0.66
Ireland	1.0655 - 1.0686	1.0655 - 1.0665	0.02pm-0.01pdis	0.06	0.04pm-0.02dis	0.04
Germany	2.8370 - 2.8470	2.8400 - 2.8450	¼pfpm-par	0.53	½-¼pm	0.53
Portugal	241.50 - 242.95	242.30 - 242.90	79-157cdis	–5.84	147-374dis	–4.30
Spain	182.05 - 182.90	182.20 - 182.50	34-48cdis	–2.70	100-150dis	–2.74
Italy	2157.30 - 2170.40	2158.50 - 2159.50	13-18liredis	–8.62	39-44dis	–7.69
Norway	11.1605 - 11.2055	11.1675 - 11.1775	¼-½oredis	–0.40	¼-1¼dis	–0.25
France	9.5890 - 9.6255	9.5975 - 9.6075	⅛-⅜cdis	–0.23	⅛-¼dis	–0.08
Sweden	10.3065 - 10.3510	10.3125 - 10.3225	¼-1½oredis	–1.31	2¾-4⅛dis	–1.36
Japan	237.85 - 239.55	238.50 - 239.50	1¼-1⅛ypm	5.96	3⅝-3⅜pm	5.86
Austria	19.93 - 20.02	19.97 - 20.00	1⅜-⅛gropm	0.49	3⅜-1⅜pm	0.50
Switzerland	2.5105 - 2.5336	2.5225 - 2.5325	½-⅛cpm	1.78	1-⅝pm	1.38
Ecu	1.3930 - 1.4035	1.3930 - 1.3940	0.09-0.14cdis	–0.99	0.25-0.31dis	–0.80

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.25-6.20pm. 12 Month 11.25-11.15pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8910 - 1.9150	1.9085 - 1.9095	1.14-1.12cpm	7.10	3.21-3.18pm	6.69
Ireland†	1.7690 - 1.7900	1.7890 - 1.7900	1.08-1.05cpm	7.14	3.07-3.00dis	–6.78
Canada	1.1890 - 1.1935	1.1920 - 1.1930	0.21-0.23cdis	–2.21	0.56-0.60dis	–1.95
Netherlands	1.6735 - 1.6970	1.6785 - 1.6795	0.91-0.94cdis	–6.61	2.61-2.66dis	–6.28
Belgium	30.60 - 30.95	30.85 - 30.95	17.00-18.00cdis	–6.80	48.00-51.00dis	–6.41
Denmark	5.7175 - 5.7975	5.7275 - 5.7325	3.72-4.02oredis	–8.10	10.60-11.20dis	–7.61
Germany	1.4820 - 1.5060	1.4880 - 1.4890	0.82-0.83pfdis	–6.65	2.38-2.40dis	–6.42
Portugal	127.05 - 128.40	127.05 - 127.15	134-142cdis	–13.03	360-380dis	–11.64
Spain	95.10 - 96.60	95.45 - 95.55	79-82cdis	–10.12	227-236dis	–9.70
Italy	1127.00 - 1145.50	1130.75 - 1131.25	15.20-17.20liredis	–17.19	40.00-45.00dis	–15.03
Norway	5.8360 - 5.9240	5.8500 - 5.8550	3.55-3.85oredis	–7.59	10.20-10.70dis	–7.14
France	5.0170 - 5.0900	5.0275 - 5.0325	3.05-3.10cdis	–7.34	8.73-8.83dis	–6.98
Sweden	5.3845 - 5.4740	5.4025 - 5.4075	3.78-4.03oredis	–8.67	11.05-11.50dis	–8.34
Japan	124.95 - 125.90	125.20 - 125.30	0.12-0.13ydis	–1.20	0.28-0.30dis	–0.93
Austria	10.4520 - 10.5715	10.5040 - 10.5090	5.80-6.15grodis	–6.82	16.10-17.10dis	–6.32
Switzerland	1.3070 - 1.3390	1.3230 - 1.3240	0.62-0.64cdis	–5.71	1.78-1.81dis	–5.43
Ecu	1.3520 - 1.3725	1.3705 - 1.3715	0.94-0.93cpm	8.14	2.63-2.60pm	7.63

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency

EURO-CURRENCY INTEREST RATES

Jul 21	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10⅛ - 9⅞	10⅛ - 9⅞	10 7/16 - 10¼	10¼ - 10⅛	10 5/16 - 10¼	10 11/16 - 10⅝
US Dollar	3¼ - 3⅛	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3½ - 3⅜	3 13/16 - 3 11/16
Can. Dollar	5⅜ - 5⅛	5⅛ - 5	5⅛ - 5	5¼ - 4 13/16	5¼ - 4 15/16	5⅛ - 5
Dutch Guilder	9⅝ - 9⅛	9⅝ - 9⅛	9 11/16 - 9⅝	9 11/16 - 9⅝	9 11/16 - 9⅝	9⅝ - 9½
Swiss Franc	8⅞ - 8⅝	8⅞ - 8⅝	8 15/16 - 8 13/16	8⅞ - 8¾	8 13/16 - 8 11/16	8 11/16 - 8 9/16
D-Mark	9¼ - 9⅛	9 11/16 - 9 9/16	9 11/16 - 9 9/16	9¾ - 9⅝	9¾ - 9⅝	9 11/16 - 9 9/16
French Franc	10⅛ - 10	10⅛ - 10	10¼ - 10⅛	10 5/16 - 10 3/16	10 5/16 - 10 3/16	10⅜ - 10¼
Italian Lira	15 - 13	18 - 17	17¼ - 17	17½ - 16¾	17 - 16½	17¼ - 16¾
Belgian Franc	9⅜ - 9⅛	9⅜ - 9⅛	9⅜ - 9⅛	9¼ - 9⅛	9¼ - 9⅛	9⅜ - 9⅛
Yen	4⅜ - 4½	4⅜ - 4½	4⅜ - 4½	4 9/16 - 4 7/16	4½ - 4⅜	4⅜ - 4½
Danish Krone	12 - 11½	11½ - 11	11¼ - 10¾	10⅞ - 10⅝	10⅞ - 10⅝	10⅞ - 10⅝
Asian $Sing.	2⅛ - 2	2⅛ - 2	2¼ - 2⅛	2⅜ - 2¼	2⅝ - 2½	3 1/16 - 2 15/16
Spanish Peseta	12½ - 12	12½ - 12	12 11/16 - 12½	12⅞ - 12⅝	13 - 12 13/16	13⅛ - 12 15/16

Long term Eurodollars: two years 4 5/16-4 3/16 per cent; three years 5¼-5⅛ per cent; four years 5⅜-5⅝ per cent; five years 6¼-6⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 21	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr	Pta.	Ecu
£	1	1.909	2.843	239.0	9.603	2.528	3.205	2159	2.278	59.00	182.4	1.394
$	0.524	1	1.489	125.2	5.030	1.324	1.679	1131	1.193	30.91	95.55	0.730
DM	0.352	0.671	1	84.07	3.378	0.889	1.127	759.4	0.801	20.75	64.16	0.490
YEN	4.184	7.987	11.90	1000.	40.18	10.58	13.41	9033	9.531	246.9	763.2	5.833
F Fr.	1.041	1.988	2.961	248.9	10.	2.633	3.337	2248	2.372	61.44	189.9	1.452
S Fr.	0.396	0.755	1.125	94.54	3.799	1	1.268	854.0	0.901	23.34	72.15	0.551
N Fl.	0.312	0.596	0.887	74.57	2.996	0.789	1	673.6	0.711	18.41	56.91	0.435
Lira	0.463	0.884	1.317	110.7	4.448	1.171	1.484	1000	1.055	27.33	84.48	0.646
C$	0.439	0.838	1.248	104.9	4.216	1.110	1.407	947.8	1	25.90	80.07	0.612
B Fr.	1.695	3.236	4.819	405.1	16.28	4.285	5.432	3659	3.861	100.	309.2	2.363
Pta	0.548	1.047	1.559	131.0	5.265	1.386	1.757	1184	1.249	32.35	100	0.764
Ecu	0.717	1.369	2.039	171.4	6.889	1.813	2.299	1549	1.634	42.32	130.8	1

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% — [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% — [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% — [illegible]

LIFFE EUROMARK OPTIONS DM1m points of 100% — [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100% — [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% — [illegible]

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT £50,000 32nds of 100% — [illegible]

US TREASURY BONDS 8% $100,000 32nds of 100% — [illegible]

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100% — [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% — [illegible]

9% NOTIONAL ECU BOND ECU 200,000 100ths of 100% — [illegible]

12% NOTIONAL ITALIAN GOVT. BOND (BTP) LIRA 200m 100ths of 100% — [illegible]

THREE MONTH STERLING £500,000 points of 100% — [illegible]

THREE MONTH EURODOLLAR $1m points of 100% — [illegible]

THREE MONTH EUROMARK DM 1m points of 100% — [illegible]

THREE MONTH ECU ECU 1m points of 100% — [illegible]

THREE MONTH EURO SWISS FRANC SFR 1m points of 100% — [illegible]

THREE MONTH EUROLIRA INT. RATE LIRA 1,000m points of 100% — [illegible]

FT-SE 100 INDEX* £25 per full index point

	Close	High	Low	Prev.
Sep	2424.0	2440.0	2410.0	2410.0
Dec	2470.0	2479.0	2465.0	2456.0
Mar	2507.0			2493.0

Estimated volume 9622 (15298)
Previous day's open int. 43944 (43028)

* Contracts traded on APT. Closing prices shown

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth
1.9090	1.8977	1.8771	1.8467	1.7967

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% — [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% — [illegible]

BRITISH POUND (IMM) $ per £ — [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr — [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 — [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM — [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

STANDARD & POORS 500 INDEX $500 times index — [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) — [illegible]

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES — [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate) — [illegible]

CAC-40 FUTURES (MATIF) Stock Index — [illegible]

ECU BOND (MATIF) — [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

	Calls			Puts		
Strike	September	December	March	September	December	March
104	-	-	-	0.15	0.47	-
105	1.21	-	-	0.34	0.72	-
106	0.60	1.29	-	0.78	1.10	-
107	0.24	0.63	1.29	1.36	1.62	-
108	0.08	0.51	-	2.19	-	-
109	0.02	0.28	-	-	2.99	-
Open Int	127,895	197,119	3,600	110,926	44,159	4,160

Estimated volume 92,672 Prev. day Total Open Interest 487,862

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk.	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Cash rates softer

CASH RATES in the sterling money market were slightly softer yesterday, as dealers continued to digest the effects of Monday's concerted intervention by central banks to keep the dollar above its all-time low.

Although the US currency's rise helped to keep sterling above its own lows, the pound had a weak bias throughout the day. It closed unchanged on the day but left the markets in a bearish mood.

In the morning, short-term rates were boosted by a medium-sized shortage of £750m from the Bank of England, most of which was removed by dealers in early operations. Traders said there was now no expectation at all of a base rate cut, considering the Bank's decision to deal in Bands 3 and 4 last Friday at the old rates which had preceded their cut of two weeks ago.

The speed at which the shortage was brought down reduced the offered rate for one-week money: it closed ⅛ off at 10 per cent. The one-month rate was at 10¼ per cent, down from 10⅜ per cent.

Dealers said the Treasury's decision to reduce the gross interest paid on the First Option National Savings Bond also helped to soften rates because it had taken the pressure off building societies to raise their mortgage interest rates. Helped by this, three-month money ended down at 10 5/16 per cent offered from a previous close of 10⅜ per cent.

All of this was offset by sterling's poor performance. The 10 5/16 rate was offered right out to one-year, and the virtually flat yield curve showed how bearish the market has become.

The decision on National Savings had a bullish effect on short sterling futures in the morning, with the September contract opening at 89.75, up 5 basis points from its previous close. However, the front-month contract dropped to a day's low of 89.63 before closing only one basis point up at 89.76 on balance.

The Bank of England's operations were light, with the Bank dealing at the established rates of 9⅞ per cent for Bands 1 and 2, and 9 15/16 per cent for the repurchase agreement (repo).

In early operations, the Bank purchased £550m in a repo for resale on August 10. In the afternoon, the forecast was revised to £900m and the Bank bought £350m in Band 1.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. July 21) 3 months US dollars		6 months US Dollars	
bid 3 5/16	offer 3 7/16	bid 3 7/16	offer 3 9/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK 4pm — Treasury Bills and Bonds

Prime rate	6	One month	3.38	Three year	4.73
Broker loan rate	6	Two month	3.24	Five year	5.78
Fed. funds	3 5/16	Three month	3.27	Seven year	6.36
Fed funds at intervention	3¼	Six month	3.36	10-year	6.88
		One year	3.52	30-year	7.66
		Two year	4.27		

July 21	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.65-9.75	9.70-9.80	9.70-9.80	9.70-9.80	9.70-9.80	9.75
Paris	9 13/16-10⅛	10⅛-10¼	10⅛-10¼	10⅛-10¼	10⅛-10⅜	9.60
Zurich	7⅞-8⅛	8⅝-8⅞	-	8⅝-8⅞	-	-
Amsterdam	9.43-9.50	9.45-9.53	-	9.47-9.55	-	-
Tokyo	4 7/16-4 11/16	4⅜-4⅝	-	4⅜-4½	-	-
Milan	14¾-15¼	18¾-19	-	16⅝-8¾	-	-
Brussels	9.68-9.81	9 11/16-9 13/16	-	9 11/16-9 13/16	-	-
Dublin	10⅛-10¼	10.2-10.3	10¼-10⅜	10¼-10⅜	10¼-10⅜	-

LONDON MONEY RATES

Jul 21	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9⅞	10⅛	10 5/16	10⅜	10⅜	10⅜
Interbank Bid	7	9 15/16	10⅛	10¼	10¼	10¼
Sterling CDs	–	–	10 3/16	10¼	10¼	10¼
Local Authority Deps	10	10⅛	10¼	10¼	10¼	10¼
Local Authority Bonds	–	–	–	–	–	–
Discount Mkt Deps	9¼	9⅞	–	–	–	–
Company Deposits	–	–	–	–	–	–
Finance House Deposits	–	–	10¼	10 5/16	10 5/16	10⅜
Treasury Bills (Buy)	–	–	9 11/16	9 9/16	9 9/16	–
Bank Bills (Buy)	–	–	9¾	9 11/16	9 9/16	–
Fine Trade Bills (Buy)	–	–	–	–	–	–
Dollar CDs	–	–	3.25	3.26	3.37	3.60
SDR Linked Dep Offer	–	–	6 5/16	6 5/16	6¼	6 5/16
SDR Linked Dep. Bid	–	–	6 3/16	6 3/16	6⅛	6 3/16
ECU Linked Dep Offer	–	–	11⅛	11⅛	11⅛	11⅛
ECU Linked Dep. Bid	–	–	10 15/16	10 15/16	10 15/16	10 15/16

Treasury Bills (sell): one-month 9⅝ per cent; three months 9½ per cent; six months 9⅜ per cent. Bank Bills (sell): one-month 9 11/16 per cent; three months 9⅝ per cent. Treasury Bills: Average tender rate of discount 9.4960 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1992. Agreed rates for period July 26, 1992 to August 25, 1992. Scheme I: 11.29 p.c., Schemes II & III, 11.28 p.c. Reference rate for period May 30, 1992 to June 30, 1992, Scheme IV&V: 10.038 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from July 1, 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6), Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent, nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 6, 1992. Deposits withdrawn for cash 5 per cent.

MONEY MANAGEMENT
A FINANCIAL TIMES MAGAZINE

The monthly financial "bible" for all financial professionals.

Use Money Management to your advantage.

Available every month at newsagents in financial districts and mainline stations

£3.75

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

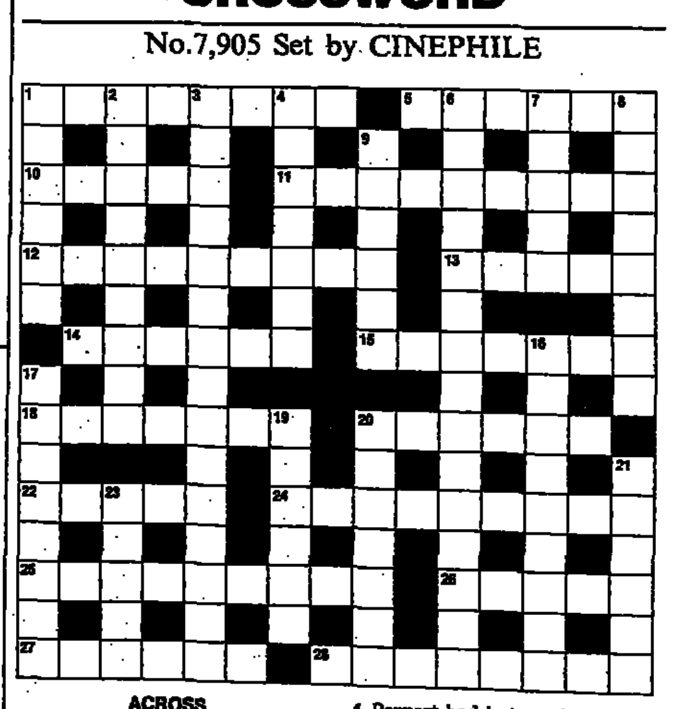
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,905 Set by CINEPHILE



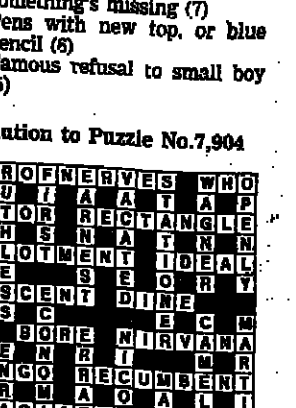
ACROSS

1 Lower head for quilt (4,4)
5 It's powerless to provide cover in Germany (6)
10 Scots beast gets instructions to leave (5)
11 Bring up man with van? Contrariwise! (9)
12 Fat Parisian gets a lot of defamatory remarks on the prairie (9)
13 The lot ... returned without thanks (5)
14 Complete short distance among swimmers (6)
15 Fast and furious, first, fled outside (7)
18 Gunman's order at 12 o'clock (5,2)
20 When does one get a dowry? When one's too old? (6)
22 Young person from Meacham in Oregon (5)
24 Base of TUC is designed to perplex (9)
25 Carl VIII could be slow (9)
26 Another name, as with Mohammed? (5)
27 Tranquillise the sober? (6)
28 Heavy cold, perhaps, makes one flag (8)

DOWN

1 Female, about to droop, needs medicine (6)
2 Flower for motor race? (9)
3 Maid ... covers tents, possibly (8,7)
4 Pervert bad hat on the way to battle (7)
6 Serious playing before it became criminal? (10,5)
7 Rough copy for conscript (5)
8 Coloured circle, fast and suggestive (8)
9 Hierarchy in tights? (6)
16 Laying down of the law: otherwise admit smog (9)
17 Confusion at the meat-market (8)
19 Stars to fail? (6)
20 Can't it hear? If you can, something's missing (7)
21 Pens with new top, or blue pencil (6)
23 Famous refusal to small boy (5)

Solution to Puzzle No.7,904



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Jul 21	Jul 20	Jul 17	Jul 16	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3308.41	3303.00	3331.64	3361.63	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	101.44	101.39	101.17	101.32	101.44 (21/7)	98.41 (20/3)	101.44 (21/7/92)	54.99 (1/10/81)
Transport	1291.77	1284.87	1302.88	1312.66	1467.68 (20/2)	1277.65 (26/6)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.20	218.89	220.08	220.77	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3335.96 (3318.40) Low 3292.47 (3271.12)

STANDARD AND POOR'S

	Jul 21	Jul 20	Jul 17	Jul 16	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	413.76	413.75	415.62	417.54	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	485.61	485.26	488.27	490.83	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	36.07	36.07	35.80	35.87	36.65 (10/7)	32.40 (8/4)	36.65 (10/7/92)	8.64 (1/10/74)
NYSE Composite	227.47	227.51	228.51	229.49	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	384.82	384.52	386.55	388.34	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	568.63	564.28	570.52	576.19	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Jul 17	Jul 10	Jun 26	year ago (approx.)
Dow Industrial Div. Yield	3.13	3.13	3.14	3.04

	Jul 15	Jul 8	Jul 1	year ago (approx.)
S & P Industrial div. yield	2.64	2.68	2.66	2.96
S & P Indl. P/E ratio	28.95	38.45	28.74	16.95

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Syntex	4,136,000	32⅝	- 1⅜
Bankamerica	2,755,000	45½	+ 1⅛
Chemical Bk	2,717,100	35⅞	- 1
Comw Ed	2,259,100	25½	- ⅛
Ford	2,113,800	44	- 1¼
IBM	1,990,100	93⅞	+ ⅞
Citicorp	1,933,500	20⅛	+ ¼
Telefonos	1,759,900	48⅞	+ ⅛
Kroger	1,714,500	14	+ ⅛
Unocal	1,649,200	25	- ½

TRADING ACTIVITY

† Volume (Millions)	Jul 21	Jul 20	Jul 17
New York SE	173.800	165.730	187.520
Amex	15.784	9.800	10.077
NASDAQ	(u)	117.834	146.773
NYSE			
Issues Traded	2,297	2,295	2,275
Rises	885	603	611
Falls	848	1,123	1,040
Unchanged	564	569	624
New Highs	57	45	63
New Lows	30	29	18

CANADA

TORONTO	Jul 21	Jul 20	Jul 17	Jul 16	1992 HIGH	1992 LOW
Metals & Minerals	3140.34	3159.61	3179.63	3199.15	3238.87 (16/1)	2828.26 (8/4)
Composite	3425.21	3452.60	3463.00	3475.58	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1803.04	1826.50	1838.72	1843.37	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jul 21	Jul 20	Jul 17	Jul 16	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1609.2	1604.9	1629.5	1639.2	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	718.7	716.1	721.8	725.9	736.80 (3/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	342.01	339.14	352.84	358.17	458.57 (24/2)	339.14 (20/7)
Traded Index (2/1/91)	811.95	800.59	847.89	861.54	1099.43 (24/2)	800.59 (20/7)
BELGIUM						
BEL20 (1/1/91)	(c)	(c)	1170.84	1173.22	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	309.17	310.12	315.65	318.25	365.29 (15/1)	309.17 (21/7)
FINLAND						
HEX General (28/12/90)	714.3	712.9	727.6	731.1	935.90 (24/2)	712.90 (20/7)
FRANCE						
CAC General (31/12/82)	484.79	486.61	500.93	502.27	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1762.67	1767.90	1801.78	1851.23	2077.49 (11/5)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	656.32	666.46	679.88	687.90	725.36 (26/5)	643.26 (8/1)
Commerzbank (1/12/53)	1854.50	1884.3	1923.3	1947.00	2043.80 (25/5)	1813.80 (8/1)
DAX (30/12/87)	1659.77	1649.67	1702.66	1740.53	1811.57 (25/5)	1578.73 (10/7)
HONG KONG						
Hang Seng Bank (31/7/64)	6010.44	5986.49	6128.06	6162.53	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1278.44	1277.97	1302.03	1316.13	1469.57 (17/1)	1267.03 (9/7)
ITALY						
Banca Com. Ital. (1972)	411.71	412.67	437.78	446.65	551.59 (6/2)	411.71 (21/7)
MIB General (2/1/92)	807.0	809.0	959.0	877.0	1086.00 (5/2)	807.00 (21/7)
JAPAN						
Nikkei (16/5/49)	16002.41	15884.48	16548.07	16987.66	23801.18 (6/1)	15741.27 (29/6)
Tokyo SE (Topix) (4/1/68)	1229.38	1230.14	1271.10	1290.54	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	1822.25	1840.30	1868.25	1883.13	2459.85 (6/1)	1822.23 (21/7)
MALAYSIA						
KLSE Composite (4/4/86)	605.16	602.76	605.33	611.74	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	292.1	290.8	294.5	298.7	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	199.6	198.7	201.2	204.1	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	657.56	643.24	667.72	678.89	772.74 (18/5)	643.24 (20/7)
PHILIPPINES						
Manila Comp (2/1/85)	1433.04	1453.00	1449.48	1451.50	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	389.56	392.08	394.06	397.05	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1121.0§	1149.0	1131.0	1130.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4213.0§	4214.0	4286.0	4279.0	4689.00 (4/6)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex (4/1/80)	511.84	505.30	514.19	511.61	691.48 (8/2)	505.30 (20/7)
SPAIN						
Madrid SE (30/12/85)	220.56	217.87	223.54	228.88	266.51 (28/2)	217.87 (20/7)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	860.50	849.8	878.1	889.7	1014.50 (11/5)	849.80 (20/7)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	811.4	798.6	821.8	835.1	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	616.0	607.8	622.8	633.2	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4159.02	4147.59	4282.60	4349.68	5391.63 (30/1)	4147.59 (20/7)
THAILAND						
Bangkok SET (30/4/75)	754.25	758.92	758.71	750.38	832.39 (7/4)	667.64 (19/5)
WORLD						
M.S. Capital Intl. (1/1/70) ($)	491.2*	496.5	503.3	507.4	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	859.32	854.76	874.50	895.48	976.55 (25/5)	854.76 (20/7)

**Saturday July 18: Taiwan Weighted Price 4248.55, Korea Comp Ex 505.64
§ Subject to official recalculation. *Calculated at 15.00 GMT
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday 21 July 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba Corp	3.8m	612	-8	Hitachi	1.7m	752	-8
Meiji Milk	3.2m	930	+30	Canon Inc	1.6m	1,280	-20
Taiyo Fishery	2.0m	452	+6	Mitsubishi Hvy	1.5m	503	+6
North PA B	2.0m	476	+1	Mitsui Min	1.5m	366	+16
Matsushita E	1.8m	1,300		NEC Corp	1.4m	808	+22

SUBSCRIBE TO THE FT TODAY

IN LATIN AMERICA CONTACT YOUR NEAREST AGENT

		Phone		Fax
Buenos Aires	Publicaciones SA	(1)	276661	331-2136
Bogota	Interamerican Press	(1)	256-6096	236-9734
Guatemala	Publicaciones Internacionales	(2)	317007	367203
Guayaquil	Durlar Ecuador	(34)	355248	321266
La Paz	Durlar Bolivia	(12)	366887	390710
Lima	Durlar SRL	(14)	758025	759589
Managua	Revistas Internacionales	(52)	72-066	72-066
Mexico D.F.	S.E.M.	(5)	207-8100	208-3979
Panama	Miami Express	(7)	26-2886	26-7512
Quito	Durlar Ecuador	(32)	565016	
Rio de Janeiro	Synchro	(21)	290-6747	290-6111
San Jose	Agencia de Publicaciones	(6)	59-5555	59-9491
Sao Paulo	Synchro	(11)	579-6482	578-9754
Santiago	Durlar Chile Ltda	(2)	632-3037	632-4965

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

4:00 pm prices July 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅝	11⅞	AAR Corp	0.48	3.7	20	113	13⅛	12⅞	13⅛	-⅛
26	18⅛	A L Labs A	0.18	1.0	75	208	19⅛	18⅞	18⅞	-½
68¾	52⅝	AMP Inc	1.52	2.8	22	562	54½	53⅞	54½	+½
80¼	60⅞	AMR				236199	65½	64⅛	64⅞	+⅛
2⅜	1⅜	ARX			2	20	1⅞	1⅞	1⅞	
53½	38¼	ASA	2.00	4.8	27	496	41⅞	40½	41½	-⅝
34¼	26⅛	Abbott Lab x	0.60	2.0	21	6846	29⅞	29⅜	29⅝	+¼
13⅞	12	Abitibi Pr x	0.50	3.9	9	17	13	12⅞	12⅞	
11⅝	10⅛	ACM Gvt In	1.11	9.9		265	11⅜	11¼	11¼	
10⅞	9⅛	ACM GvOpp	0.94	9.8		85	9⅞	9⅝	9⅝	
9½	8½	ACM Gvt Sp	0.92	9.8		224	9⅜	9¼	9⅜	+⅛
11⅛	10⅛	ACM Gvt Se	1.13	10.4		671	11	10⅞	10⅞	-⅛
10	8⅝	ACM Man	0.98	10.1		539	9⅞	9¾	9¾	-⅛
12⅞	10⅝	ACM Manegd	1.21	10.9		130	11¼	11⅛	11⅛	-⅛
11⅜	4⅞	Acme Cleve	0.40	6.3	21	977	6½	6⅛	6⅜	+⅛
8¼	4⅞	Acme Elect			4	5	5	5	4⅞	
33¼	18¼	Acuson			11	285	18⅜	d18⅛	18⅛	-⅛
19½	18⅛	Adams Expr	1.60	8.8	0	74	18⅞	18⅝	18⅝	-⅛
49⅛	29½	Ad Micro	3.00	8.8		169	34½	34	34¼	-¼
21½	7½	Ad Micro P	3.00	33.8		32277	8⅞	8⅜	8⅞	+½
9⅞	5	Advest Grp	0.16	2.7	60	74	6	5⅞	6	+⅛
37½	33	Aegon ADR	1.68	4.6	6	278	36⅜	36¼	36⅜	
47	38⅞	Aetna Ll	2.76	6.4	8	1399	43⅜	43	43⅛	

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Quote Close	Ch'ge
28½	24⅞	Xtra 1.94	1.94	6.9		5	28¼	27½	28¼	
37	28½	Xtra Corp	0.80	2.2	18	36	35⅝	35⅛	35⅝	+¼
28	25¼	Yankee Egy	1.65	6.0	12	17	u28	27¾	27⅞	−⅛
1½	½	Zapata			43	204	⅞	13/16	⅞	+1/16
11⅛	6¾	ZenithElec				51363	8	7¾	7⅞	−⅛
19½	14½	Zenith Nat	1.00	5.8	8	207	17⅞	17⅜	17⅜	−⅝
7⅛	6	Zenix Inc x	0.84	12.2		213	7	6⅞	6⅞	
13¾	10	Zero Corp	0.40	3.4	18	205	11⅝	11	11⅝	+⅛
38	27¾	Zurn Ind	0.88	3.1	31	258	28¾	28½	28⅝	
14⅛	12	Zweig Fund	1.15	9.0		234	12¾	12⅝	12¾	+⅛
11	9½	Zweig Totl x	0.96	9.4		622	10¼	10⅛	10⅛	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are *annual disbursements based on the latest declaration. Sales* figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices July 21

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.80	26	11	12½	12⅜	12⅜	
Per HtKP	1.14	16	20	15⅛	15	15	
Phil LD	0.21	16	304	39⅝	39⅛	39½	+½
Plavsty A	1.10	15	27	29⅛	29	29	
Ply Gem	0.12	22	5	11⅛	11⅛	11⅛	−⅛
PMC	0.66	16	15	10⅜	10⅜	10⅜	
PresidioA	0.10	1	45	1⅞	1⅞	1⅞	−⅛

WE'RE THERE TO RELY ON IN TEL AVIV AND TOKYO.

In fact the Tokyo edition of the Financial Times is in the hands of its readers some seven hours ahead of Europe. Wherever your business takes you, rely on the FT to be part of your business briefing. It's in hotels and on newsstands all over the world. Any problems call the FT Copyline on 49 69 15685150.

FINANCIAL TIMES

NASDAQ NATIONAL MARKET

4:00 pm prices July 21

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
WmsSonoma		205	62	10¼	9½	10¼	
Wiser Oil	0.40	92	117	16	15⅞	15⅞	−⅛
Wolohan L	0.28	14	7	20½	19¾	20	+¼
Wolv Expl		0	20	1/16	1/32	1/32	
WrldFWSA			20	1/16	d1/32	1/32	
Wmington	0.48	25	548	23⅝	23	23⅝	+⅜
WPP Group	1.11	1	3727	1 9/16	1 7/16	1½	+1/16
Wyman-Gor	0.40	0	166	4⅛	3⅞	4	

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		23	1497	21⅛	20¾	21¼	+⅝
Xoma Corp		8	1907	14	13½	14	+⅝
Yellow Fr	0.94	20	764	25¼	24¾	25⅛	+⅜
York Rsch		4	1494	4¾	4⅜	4½	+¼
ZionsUtah	1.44	11	66	56	54	56	+2

AEROSPACE

The FT proposes to publish this survey on **September 3 1992.** The FT is read regularly by 97% of professional investors in Europe responsible for the aerospace, aircraft and airlines sectors. This is more than any other publication.* If you want to reach this important audience, call

Ian Ely-Corbett
Tel: 071-873 4148
Fax: 071-873 3062

Data source: Professional Investment Community Workbook MPG 91-92*

FT SURVEYS

WORLD STOCK MARKETS

FINANCIAL TIMES Wednesday July 22 1992

AMERICA

Program selling takes Dow back from highs

Wall Street

ALTHOUGH US stock markets – buoyed by an overnight recovery in foreign equities – opened firmer yesterday, a *round of program selling saw* share prices retreat from their early gains and end virtually unchanged, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was up 5.41 at 3,308.41, but well below the day's peak when the index was 20 points ahead. The Standard & Poor's 500 finished just 0.01 firmer at 413.76, while the American SE composite gained *a mere 0.30 at 384.82. The Nas*daq composite managed to end 4.35 higher at 568.63. Turnover on the New York SE was a modest 174m shares.

After two days of big losses, a rebound in Tokyo and leading European markets yesterday paved the way for a positive opening in New York, although the underlying factors behind Monday's sharp worldwide declines – the *weakness of* the global economy and high German interest rates – remained a drag on sentiment.

The market received little comfort from the testimony before Congress of Mr Alan Greenspan, the Federal Reserve chairman. Mr Green*span gave little away, although* his upbeat comments about the outlook for inflation may have provided investors with some *comfort.*

That left second quarter corporate results as the main influence on stock prices yesterday. Drugs shares were in the forefront, with Warner-Lambert up $1 at $65¼ on news of record quarterly net income of $178m, up 15 per cent from a year ago, and Pfizer $¼ firmer at $75¾ in active trading on a 14 per cent increase in second quarter *profits to $204m.*

USAir climbed $1⅛ to $14⅛ in heavy trading after British Airways agreed to buy a 44 per cent stake in the US carrier for $750m. The news of the deal lifted BA's ADRs $1 to $50⅝.

Leading banks were also a feature, with Citicorp gaining $¼ to $20¼ *after reporting net* income of $171m for the second quarter, against just $11m a year ago. The comparison, however, was distorted by after-tax restructuring charges and after-tax net gains on the sale of non-strategic assets.

Chemical Bank went the other way, falling $1 to $36 in spite of quarterly net income rising sharply in the second quarter to $240m.

United Technologies moved ahead $2⅞ to $53½ on announcing second quarter net income of $166m, up from the $44m earned a year ago in the wake of a one-off charge against earnings.

Motor issues continued to take a beating on concern about the outlook for car sales. Ford dropped $1¼ to $44, General Motors slipped $½ to $39¾ and Chrysler eased $⅛ to $19.

Canada

A BARRAGE of sell orders at the opening set the tone for heavy losses on the Toronto stock exchange, but the overall market was mixed. Northern Telecom opened late due to an imbalance of sell orders on reporting surprisingly poor second quarter earnings.

Nortel ended the day down *C$4¼ at C$41⅛. Its parent,* BCE Inc, depressed later in the day by a sharp loss at its Montreal Trustco unit, tumbled C$1¾ to C$45⅛.

The TSE 300 index closed 27.3 down at 3,425.2, although falls and rises were almost evenly matched at 265 to 264 after volume of 25.0m shares.

EUROPE

Continent stages a technical recovery

MOST continental bourses staged a technical rebound after two days of heavy losses, *writes Our Markets Staff.*

FRANKFURT was heartened by the dollar's gains after concerted intervention on Monday, the DAX index recovering 10.10 to 1,659.77. But investors remained on the sidelines as turnover eased from DM6.9bn to DM6.5bn.

From Bank Julius Bär in Frankfurt, Mr Michael Zapf gave investors some encouragement. "All cyclical indicators," he said, "suggest that the economic weakening which had been in progress since the second quarter of 1991 is over."

The bank's charts on growth of production and *incoming* orders show a turnround and the same cyclical pattern "is also showing for such still struggling industries as steel…"

Steels rose in concert yesterday, led by Klöckner-Werke, up DM2.50 to DM108.50, and Hoesch, DM4.10 higher at DM241.10. However, the sector has been anticipating economic recovery for at least the last *three months, and domestic* analysts are divided about its appeal.

Another cyclical stock, meanwhile, came unstuck. PWA tumbled DM19.50 to DM201.50 after forecasting that the 1992 dividend would be at least halved, and that net profits in the first six months had dropped by 89 per cent to *DM6m on flat sales.*

Lufthansa rose DM3.80 to DM113.80 in active trade on news that the government plans to sell all of its 52.95 per cent stake in the airline at some stage in the future. Lufthansa has been standing close to its 1992 low on poor profit prospects.

MILAN steadied after Monday's sharp losses but sentiment remained fragile. Dealers *expect trading to remain vola*tile for the rest of the week. The Comit index eased 0.96 to 411.71 in turnover estimated at less than Monday's L139bn.

Fiat, which tumbled 6.7 per cent on Monday, eased just L1 to *L4,574 and recovered to* L4,590 after hours. The telecom sector also found its footing, with Sip adding L15 to L1,047 *and Stet unchanged* at L1,445. The board of Iri is due to meet tomorrow to discuss the sector's reform and, in particular, how to reorganise the former ASST's assets.

There was still some fallout from Monday, however, with Ambroveneto suspended from trading temporarily because of excessive losses. The stock was eventually fixed down L69 at L3,436.

PARIS ended lower after a volatile day, as the CAC-40 finished 5.23 down at 1,762.67 on modest turnover of just under FFr2bn. Dealers said there was some buying of defensive and quality stocks, with Alcatel adding FFr6 to FFr624 and L'Oréal adding FFr17 to FFr934.

Euro *Disney fell FFr2 to* FFr100. A report in a UK newspaper yesterday said that disappointing attendances and hints from *British* tour operators that they would drop the theme park from their programmes have prompted Euro *Disney* to restructure its prices.

AMSTERDAM improved in spite of a lack of corporate news. The CBS Tendency index finished up 1.00 at 117.6.

News that British Airways was to take a 44 per cent stake in USAir had little real negative impact on KLM. The Dutch and UK carriers have been holding talks for months but the market had already *discounted the possibility of a* merger. KLM closed down 50 cents at Fl 32.00. Fokker improved Fl 1.10 to Fl 30.10 on hopes that talks between Dasa of Germany and the Dutch government, which began on Monday and are scheduled to continue tomorrow, will be successful.

Companies with strong US exposure performed well, with Hunter Douglas gaining Fl 2.50 or 4 per cent to Fl 61.30.

ZURICH majored on blue chips, and the SMI index of leading shares added 29.5 to 1,786.1, Nestlé bearers topping the active list as they rose SFr150 to SFr9,330.

Roche certificates came second in the list and rose SFr110 to SFr3,260. The pharmaceutical company said that it expected markedly higher current year profits after a 19 per cent rise in turnover for the first six months of 1992.

STOCKHOLM recovered in thin trade, turnover dropping from SKr352m to SKr283m as the *Affärsvärlden General* index rose 10.7 to 860.5.

Most Swedish blue chips with key markets in the US or products denominated in dollars rose, Volvo B recovering SKr5 to SKr336, Ericsson B SKr3 to SKr123 and Electrolux B by SKr7 to SKr225.

FT-SE Eurotrack 100 - Jul 21

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1073.09	1070.99	1072.53	1077.24	1077.73	1077.78	1078.53	1075.64

Day's High 1079.36 Day's Low 1070.50

Jul 20	Jul 17	Jul 16	Jul 15	Jul 14
1084.04	1097.57	1120.48	1122.53	1124.22

Base value 1000 (26/10/90).

Oslo struggles to shake off its depression

Karen Fossli reviews the prospects for the bourse as it languishes at a three-year low

OSLO is finding it difficult to shake off the depression which has pulled the stock market down by 10.5 per cent this year, but domestic analysts believe that the second half will bring a change for the better.

On Monday, the all-share index hit a three-year nadir of 369.99, forcing 19 stocks to *their lows for 1992. It finished* at 378.11 yesterday. Oslo has been plagued by bad news carried over from last year, and the Bundesbank's discount rate decision last week has extinguished any glimmer of optimism.

The market is particularly sensitive to external influences, due to the high dependency of its blue chip industrial and shipping stocks on dollar-denominated export earnings.

Its industrial index has fallen by 4.1 per cent since the start of the year, but the shipping sector has plunged by 30.2 per cent as shipowners struggle to cover operational costs, *as charter rates* sag and the dollar weakens.

Export companies have lost up to 20 per cent in revenue due to the weak dollar, analysts estimate. Domestic factors such as uncertainty over membership in the European Community (EC) and a slower than expected recovery in the economy have also taken their toll on sentiment.

This holds true to a lesser extent for bank and insurance shares, whose poor performance this year can be attributed to the successive years *of major losses and a general* lack of confidence in the country's banking system. However, analysts believe that banks have seen the worst.

The failure of Uni Storebrand, Norway's biggest insurer, to create a Scandinavian insurance giant with Sweden's Skandia in an alliance involving Danish and Finnish insurers, has led to unrest in the market.

Uni's undesirable Skandia situation – a 28 per cent stake worth NKr4bn (£673m), achieving nothing – is inhibiting the company's own domestic equity investment, which in turn has sapped liquidity from the market. Uni's "A" shares, too, have been trading about 50 per cent lower at NKr25 since the end of last year.

Norway's domestic strength, in North Sea oil and metals, is producing cautious optimism, at best, *for the second half.* The country is Europe's biggest oil producer, alongside Britain, with crude output of about 2.1m barrels a day, but it is also a large exporter of light metals. It is no surprise, therefore, that the economy's health depends on oil prices and the dollar.

The caution is demonstrated by Statoil, the state oil company, which has mounted yet another cost-cutting campaign in which it aims to trim NKr2bn from operational budgets in an effort to withstand low crude oil prices.

However, Mr Tom Skjaerstad, a broker with the Oslo-based Norse Securities, believes that the market has bottomed out and that there is *hope for recovery in the second* half. "Oil prices have firmed at around $20 to $21 a barrel, our political climate is stable and *there exists a commitment* internationally to support the dollar," he says.

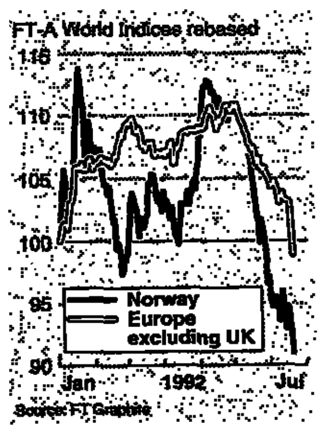
On shipping, Mr Skjaerstad thinks rates for VLCCs (very large crude carriers) will firm in August and September, and that scrapping of old tonnage will continue.

Mr Tormodd Andreassen, managing director of Alfred Berg Securities in Oslo, dismisses the market's performance in the first half of 1992 as dismal but sees only gradual recovery in the second half.

"Financial consolidation in Norway has come a long way and this implies that consump*tion will pick up, leading to* recovery," he says. "There will be some improvement – maybe even more improve*ment than in other countries* – but there will be no really solid gains in the capital markets, unless the dollar strengthens considerably and German rates come down."

Mr Andreassen adds that, this autumn, three outstanding political issues will affect the market:

- Parliament is meant to ratify the European Economic Area agreement, linking the EC and Efta, in which Norway is a member;
- an application to join the EC will also be decided by the government;
- and in October an "election budget" will be presented.



ASIA PACIFIC

Tokyo's rebound gives support to the region

Tokyo

A FALL in short-term interest rates encouraged investors, and the Nikkei average gained for the first time in four trading days, *writes Emiko Terazono in Tokyo.*

The 225-issue index ended 117.93 firmer at 16,002.41, after touching a day's low of 15,770.67 and high of 16,055.30 on arbitrage unwinding and buying by investment trusts.

Volume remained flat at 200m shares. In spite of the rise in the Nikkei, other market indicators reflected underlying weakness. Declines led advances by 472 to 429, with 171 issues unchanged. A total *of 136 stocks fell to new lows* for the year, and the Topix index of all first section issues shed 0.76 to 1,229.38. In London the ISE/Nikkei 50 index put on 2.30 to 962.46.

Weakness in overseas markets on Monday prompted futures-linked arbitrage unwinding, but shares then recouped losses on heavy index-linked buying by investment trusts and dealers. Some traders found comfort in the fall in the overnight call rates, as a prelude to monetary easing by the Bank of Japan.

However, overall activity by investors has dried up, and the low volumes leave share prices vulnerable to movements in the futures markets, and arbitrage activity. Ms Kathy Matsui at Barclays de Zoete Wedd said: "Most investors, especially the foreigners and individuals, have adopted a wait-and-see attitude." She added that investors will want to see some semblance of concern *from the authorities about the* market's weakness before coming back again.

Dealers bought speculative stocks for short-term trading purposes. Meiji Milk Products *gained Y30 to Y930 and Taiyo* Fishery Y6 to Y452.

Nippon Telegraph and Telephone fell Y4,000 to Y598,000 on selling by financial institutions, while bank issues weakened on sales by leading foreign brokerages. Industrial Bank of Japan lost Y20 to Y1,670 and Dai-Ichi Kangyo Bank Y10 to Y1,210.

High-technology issues, which dropped on Monday on fears of sharply lower profits for the current year, rallied on bargain hunting. NEC rose Y22 to Y808 and Sony Y70 to Y4,030, *but Hitachi* slipped a further Y8 to Y752 and Toshiba, the most active issue of the day, was Y8 lower at Y612.

In Osaka, the OSE average dipped 17.18 to 18,351.07, declining for the fourth consecutive day. Volume increased to 15.8m shares from 9.2m.

Roundup

TOKYO'S rebound gave support to most markets in the region.

HONG KONG ended moderately higher on strong buying interest in HSBC Holdings after its Marine Midland Bank division reported a turnround in first-half results on Monday. *The Hang Seng index appreci*ated 23.95 to 6,010.44 in turnover of HK$3.13bn.

HSBC added HK$2 at HK$54.5 and Hang Seng Bank climbed HK$1 to HK$53.

AUSTRALIA was helped by the rise in Tokyo. The All Ordinaries index improved 4.4 to 1,609.3. Resource issues remained weak, although gold shares continued to rally as the bullion price touched a sev*en-month high.*

National Australia Bank attracted interest after announcing a takeover bid for Bank of New Zealand, the shares rising 8 cents to A$7.87. Westpac con*tinued to suffer from an* impending rights issue, closing 3 cents easier at A$3.14.

NEW ZEALAND recovered some of the ground lost on Monday, the NZSE-40 capital index ending 5.08 better at 1,560.08 in turnover of NZ$27.2m. Bank of New Zealand dipped 3 cents to 76 cents after National Australia's NZ$1.48bn takeover bid.

MANILA finished lower after lacklustre trade. The composite index weakened 19.96 to 1,433.04 in combined turnover of 371.6m pesos.

TAIWAN rose, with paper issues stronger on reports of cheaper pulp prices. The weighted index, down more *than 70 points in early trade,* closed a net 11.43 up at 4,159.02. Turnover came to T$23.73bn (T$22.88bn). Ban Yu Paper rose 30 cents to T$18.90.

SINGAPORE declined, with some analysts noting that interest remained in over-the-counter Malaysian stocks. The Straits Times Industrial index shed 11.29 to 1,434.46 in volume of 54.58m shares. Falls led rises by 124 to 102.

KUALA LUMPUR's composite index put on 2.40 to 605.16 in active trade, concentrated in speculative stocks.

SEOUL staged a technical rebound, the composite index moving ahead 6.54 to 511.84. Turnover was still thin, at Won107.53bn.

Hyundai group shares were actively traded as six of the 17 listed group shares reached their daily upper limits. Hyundai Motor and Hyundai Precision and Industries added Won800 apiece at Won16,400 and Won17,500 respectively.

KARACHI fell for the fifth straight session amid political uncertainty over democracy moves. The KSE index closed 16.42 lower at 1,400.56.

SOUTH AFRICA

GOLD shares eased on concern that the bullion price might not be able hold its recent levels, following the dollar's recovery. The index fell 28 to 1,121. The overall index lost 8 to 3,429 while industrials *eased just 1 to 4,213.*

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JULY 21 1992								MONDAY JULY 20 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	141.95	+0.0	110.24	112.39	109.85	126.56	+0.2	4.31	141.89	109.68	112.34	109.29	126.27	153.68	140.94	147.37
Austria (19)	156.31	−0.5	121.39	123.76	120.96	121.27	+0.1	2.41	157.14	121.47	124.41	121.03	121.17	186.70	156.31	176.74
Belgium (42)	*148.58*	*−1.3*	*115.39*	*117.52*	*114.98*	*113.22*	*+0.0*	5.43	150.52	116.35	119.16	115.94	113.22	152.27	135.87	128.08
Canada (115)	127.62	−1.3	99.11	101.04	98.76	110.20	−1.0	3.22	129.31	99.96	102.37	99.59	111.33	142.12	124.32	139.23
Denmark (35)	237.59	+0.2	184.52	188.11	183.86	185.16	+0.4	1.90	237.14	183.31	187.75	182.65	184.49	273.94	226.81	252.48
Finland (15)	75.00	−2.0	58.25	59.38	58.04	63.82	−0.1	2.21	76.52	59.15	60.58	58.94	63.89	89.80	73.64	95.01
France (104)	155.88	−0.6	121.06	123.41	120.62	122.99	−0.1	3.81	156.82	121.22	124.15	120.78	123.06	168.75	148.06	129.32
Germany (65)	122.45	−2.1	95.10	96.96	94.76	94.76	−1.6	2.43	125.04	96.65	99.01	96.31	96.31	129.69	114.67	107.49
Hong Kong (54)	250.67	−0.3	194.67	198.46	193.99	248.90	−0.2	3.29	251.30	194.25	198.96	193.57	249.32	259.55	176.36	167.86
Ireland (16)	158.21	+0.5	122.87	125.26	122.43	124.57	+0.7	4.24	157.46	121.72	124.67	121.28	123.68	173.71	151.78	152.29
Italy (78)	62.60	−0.6	48.77	49.72	48.60	53.04	−0.2	3.94	63.18	48.83	50.01	48.66	53.16	80.86	62.60	73.93
Japan (473)	96.36	+0.0	74.84	76.29	74.58	76.29	+0.0	1.12	96.32	74.45	76.26	74.20	76.26	140.95	88.70	127.44
Malaysia (69)	246.68	+0.7	191.58	195.30	190.89	237.47	+0.8	2.64	244.98	189.37	193.95	188.69	235.55	250.47	212.49	226.18
Mexico (18)	1458.01	−1.2	1132.34	1154.34	1128.31	4966.85	−1.2	1.21	1475.25	1140.35	1168.00	1136.28	5025.20	1789.77	1355.22	1142.67
Netherland (25)	162.13	−0.3	125.92	128.36	125.47	124.25	+0.4	4.51	162.60	125.69	128.73	125.24	123.71	167.29	147.88	138.77
New Zealand (14)	46.90	+0.3	36.42	37.13	36.29	45.46	+0.4	5.00	46.76	36.14	37.02	36.02	45.26	48.52	42.01	47.17
Norway (23)	166.71	+0.3	129.47	131.99	129.01	132.43	+0.6	1.90	166.16	128.44	131.56	127.99	131.66	192.95	161.26	196.98
Singapore (38)	209.64	−1.4	162.81	165.98	162.23	155.88	−1.1	2.13	212.53	164.28	168.26	163.69	157.68	229.63	192.76	198.64
South Africa (61)	203.08	−1.4	157.72	160.78	157.15	171.66	−0.4	3.00	205.95	159.20	163.05	158.62	172.63	263.60	197.04	246.83
Spain (49)	140.27	+0.6	108.94	111.06	108.55	101.48	+1.0	5.79	139.40	107.75	110.37	107.37	100.48	161.72	139.40	147.75
Sweden (29)	187.58	+1.1	145.68	148.52	145.17	150.10	+1.4	2.71	185.50	143.39	146.87	142.88	148.08	200.26	173.09	193.87
Switzerland (62)	110.65	+0.8	85.94	87.61	85.64	90.79	+1.6	2.36	109.74	84.83	86.89	84.54	89.33	113.88	95.99	93.25
United Kingdom (226)	183.39	+0.0	142.43	145.18	141.91	142.43	+0.5	5.22	183.39	141.76	145.18	141.24	141.76	200.07	165.85	173.90
USA (522)	*168.52*	*+0.1*	*130.88*	*133.43*	*130.42*	*168.52*	*+0.1*	2.97	168.42	130.19	133.35	129.73	168.42	171.66	160.92	153.65
Europe (790)	147.90	−0.4	114.87	117.10	114.46	115.18	+0.2	4.20	148.43	114.73	117.52	114.33	114.98	158.88	139.31	136.95
Nordic (102)	174.55	+0.7	135.56	138.19	135.08	133.21	+0.9	2.36	173.37	134.01	137.26	133.54	131.99	188.52	169.68	187.20
Pacific Basin (717)	103.11	+0.0	80.08	81.64	79.80	82.89	+0.0	1.48	103.09	79.69	81.62	79.40	82.86	141.97	94.40	129.15
Euro-Pacific (1507)	121.23	−0.2	94.15	95.97	93.81	98.24	+0.1	2.82	121.43	93.86	96.13	93.52	98.14	145.21	113.80	132.57
North America (637)	165.95	+0.0	128.89	131.40	128.45	164.55	+0.0	2.98	165.96	128.29	131.41	127.85	164.54	169.69	158.70	152.67
Europe Ex. UK (562)	126.37	−0.6	98.15	100.07	97.82	99.42	+0.0	3.46	127.15	98.28	100.69	97.95	99.47	132.98	121.81	115.01
Pacific Ex. Japan (244)	169.68	−0.1	131.78	134.36	131.33	151.30	+0.0	3.55	169.84	131.28	134.49	130.83	151.23	175.31	149.00	146.11
World Ex. US (1701)	123.17	−0.2	95.66	97.52	95.32	98.69	+0.0	2.62	123.46	95.44	97.76	95.10	98.65	146.91	116.45	134.60
World Ex. UK (1995)	133.19	−0.1	103.44	105.46	103.08	117.79	+0.0	2.58	133.36	103.09	105.59	102.73	117.79	150.58	127.21	136.79
World Ex. So. Af. (2162)	137.13	−0.1	106.50	108.58	106.13	119.59	+0.1	2.88	137.27	106.11	108.69	105.74	119.52	153.05	130.04	139.31
World Ex. Japan (1750)	160.48	−0.2	124.63	127.06	124.21	145.30	+0.1	3.43	160.74	124.25	127.27	123.83	145.22	165.40	153.20	148.01
The World Index (2223)	137.52	−0.1	106.81	108.89	106.43	120.07	+0.1	2.88	137.68	106.43	109.01	106.05	120.01	153.70	130.66	140.02

Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities Limited. 1987

Belgian market closed July 21.

FT

There is a limited amount of exhibition space available at the conference

10% DISCOUNT FOR EARLY REGISTRATION

FINANCIAL TIMES CONFERENCES

RETAIL INVESTMENT REGULATION – THE NEW REGIME

London Marriott Hotel, 16 September 1992

This timely conference to be arranged by The Financial Times and Financial Adviser will review retail regulation, how it will work in practice, the conduct of business in the new regime, commissions and approaches to training. *Speakers include:*

Miss Colette Bowe
Group Director, Retail Markets
Securities and Investment Board

Mr Keith Bedell-Pearce
Chief Executive
Prudential Financial Services Limited

Mr Douglas Claisse
Director, Marketing & Operations
Clerical Medical Investment Group

Mrs Joanne Hindle
Chief Executive Officer
IFA Promotions Ltd

Mr Hugh Scurfield
Past President
Institute of Actuaries

Mr Tom R King
General Manager (Marketing)
Standard Life Assurance Company

Miss Anne McMeehan
Marketing Director
Framlington Group plc

Miss Elaine Baker
Research Director
Noble Lowndes & Partners Limited

Ms Jean Eaglesham
Head of Money Policy
Consumers' Association

Mr Kit Jebens
Chief Executive
Lautro

A FINANCIAL TIMES CONFERENCE in association with FINANCIAL ADVISER.

RETAIL INVESTMENT REGULATION

☐ Please send me conference details
☐ Please send me details about exhibiting at the conference
☐ Please send me details about Financial Adviser

FT FINANCIAL TIMES CONFERENCES

Financial Times Conference Organisation
126 Jermyn Street, London SW1Y 4UJ. UK
Tel: 071-925 2323. Tlx. 27347 FTCONF G. Fax: 071-925 2125
Name
Position Dept
Company/Organisation
Address

Post Code City
Tel Tlx Fax Country
Type of Business

HA

Perrier verdict

EC merger policy moves on

Page 10

Cemex

Cements its international links

Page 14

Survey

Pharmaceuticals

Pages 21-23

Consumer habits

East European lifestyle

Page 2

NEWSPAPER of THE YEAR

FINANCIAL TIMES

Thursday July 23 1992 | EUROPE'S BUSINESS NEWSPAPER | D8523A

UK cabinet orders tough curbs on public spending

The UK cabinet yesterday agreed a tough new policy intended to tighten control of public spending. It will almost certainly mean significant cuts in some departmental programmes in the 1994-95 financial year.

Ministers agreed to tie increases in public spending over the next three years to below the likely rate of growth in the economy as a whole. Page 12 and Lex; Editorial Comment, Page 10

Spain may put up interest rate: The Bank of Spain may raise its key interest rate today in an attempt to bolster a tough package of fiscal restrictions announced on Tuesday. Page 2; Currencies, Page 32

Nestlé, Swiss foods group, has won European Commission approval for its FFr15.46bn ($3bn) bid for Perrier, French mineral water group, in a move described by EC competition commissioner Sir Leon Brittan, as "a considerable victory for the consumer". Page 2; Water market flows, Page 10; Source of change, Page 16

British Coal reported an overall £170m ($325m) profit for the year to March, its biggest since it was nationalised in 1947. Productivity improvements and cost cuts were cited for the record result. Page 6; Observer, Page 11

Private TV station for Moscow: US cable television group Turner Broadcasting System, which owns the CNN channel, is forming a joint venture in Russia for what it claims will be the first independent television station in Moscow. Page 5

Italy's mini-budget: The emergency economic package raising an extra L30,000bn ($26.5bn) to tackle Italy's deteriorating finances passed its first parliamentary hurdle and is expected to be completed by next Wednesday. Page 2; Interest to be paid on frozen Efim debt, Page 13; Editorial Comment, Page 10

UK water sell-off queried: Britain's water companies, which were privatised in December 1989 in deals raising £3.6bn ($6.87bn), were sold far too cheaply, said UK parliamentary public accounts committee chairman Robert Sheldon. Page 6

Compaq, US computer manufacturer, reported a 43 per cent jump in second-quarter net income and a shortage of parts because of strong demand. Page 13

Fujisankei, one of Japan's biggest media groups with interests including the Fuji television network and a Tokyo radio station, ousted its chairman, former banker Hiroaki Shikanai. Page 4

Rebates to UK may be cut: The European Commission put to the Council of Ministers modifications in the EC rebates system which could slightly reduce the amount Britain gets back from its EC budget contributions. Page 2

Iran's banks slow to pay up: Iranian banks have been delaying payments on letters of credit. Bankers have put the delays down to temporary cash flow difficulties. Page 5

German sell-offs accelerate: A record 562 former east German state companies were privatised in June, said Treuhand privatisation agency president Birgit Breuel. But she admitted the agency's debts had risen to more than DM200bn ($131.5bn). Page 2

Palermo police chief sacked: Vito Plantone, police chief of Palermo, was dismissed following the car bomb murder of an anti-Mafia magistrate and five bodyguards at the weekend.

Hoesch's 40 per cent improvement: German steel and engineering company Hoesch, soon to be absorbed by Krupp group, reported a 40 per cent first-half increase in profits without giving details. Page 14

Benetton, Italian clothing group, suffered an unexpected blow with the announcement that Emilio Fossati is to step down as managing director. Page 16

Empty future for US offices: The US property market will take about 12 years to absorb all vacant office space across the country, says accounting firm Coopers & Lybrand. Page 16

German storm deaths: At least four people were killed when roads were flooded and homes caught fire after being struck by lightning in violent storms in southern Germany.

Drug baron hides out in jail: Colombia's Medellín cocaine cartel chief Pablo Escobar was reported to be entrenched in a secret tunnel system in jail after the army had regained control of the prison. Page 5

STOCK MARKET INDICES

FT-SE 100:	2,387.9	(-27.7)
Yield	5.12	
FT-SE Eurotrack 100	1,060.97	(-14.67)
FT-A All-Share	1,143.78	(-1.2%)
FT-A World Index	135.58	(-1.4%)
Nikkei	15,541.95	(-460.46)
New York:		
Dow Jones Ind Ave	3,277.61	(-30.6)
S&P Composite	410.93	(-2.83)

US CLOSING RATES

Federal Funds:	3½%	(2¾%)
3-mo Treas Bills: Yld	3.219%	(3.25%)
Long Bond	104 7/16	(103 15/16)
Yield	7.613%	(7.654%)

LONDON MONEY

3-mo Interbank	10 5/16%	(10 5/16%)
Liffe long gilt future:	Sep 98 31/32	(Sep 98 15/16)

NORTH SEA OIL (Argus)

Brent 15-day (Sep)	$20.425	(20.175)

Gold

New York Comex (July)	$358.9	(357.6)
London	$359.25	(357.85)

STERLING

New York:		
$	1.9085	(1.9095)
London:		
$	1.9035	(1.909)
DM	2.8325	(2.8425)
FFr	9.57	(9.6025)
SFr	2.515	(2.5275)
Y	241.5	(239)
£ Index	91.8	(91.9)

DOLLAR

New York:		
DM	1.48525	(1.4865)
FFr	5.0125	(5.0225)
SFr	1.31685	(1.32335)
Y	126.885	(125.1)
London:		
DM	1.4885	(1.4885)
FFr	5.0275	(5.03)
SFr	1.3215	(1.3235)
Y	126.85	(125.25)
$ Index	60.6	(60.5)

Tokyo close Y 125.42

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00		
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10		
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50		
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000		
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000		
France	FFr8.50	Kuwait	Fils 500	Poland	Zl 18,000	UAE	Dh9.00		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190				
Greece	Dr250	Lux	LFr60	Qatar	QR10.00				

Hurd tries to defuse EC-UN row on Bosnia

By Robert Mauthner, Diplomatic Editor, in London

MR DOUGLAS HURD, the British foreign secretary and current president of the European Community, flew to New York last night in a bid to defuse a simmering row between the United Nations and the European Community over their peacemaking roles in Bosnia.

Mr Hurd's trip followed the publication yesterday of an unusually outspoken report by Mr Boutros Boutros Ghali, UN secretary-general, to the Security Council, in which he advised the council to reject the EC ceasefire plan for Bosnia. The plan was agreed by the three warring parties in London last Friday under the chairmanship of EC mediator Lord Carrington.

Mr Hurd is breaking his journey to Manila, where he is due to attend an EC-Asean ministerial meeting, for urgent talks with Mr Boutros Ghali aimed at restoring EC-UN co-operation and saving the EC's peace conference on Yugoslavia.

Mr Boutros Ghali said, in particular, that the necessary conditions did not exist for him to recommend acceptance of the request that the UN should supervise the heavy weapons of the combatants.

The UN secretary-general's report is the latest episode in a public exchange which belies his previous reputation of a retiring and pliant international bureaucrat, unlikely to take issue with his political masters in the world organisation.

He had already sharply criticised both the European Community and the Security Council in a letter sent to members of the Council on Tuesday, which spelt out in plain language that they took no account of the practical difficulties faced by the UN on the ground when they gave their political orders.

Mr Boutros Ghali's report cited questions of principle as well as practical reasons for opposing the weapons supervision operation by the UN in Bosnia. The London ceasefire agreement, which in any case was a dead letter from the moment it was signed, raised the whole question of the relationship between the UN and regional organisations, such as the EC, in the maintenance of international peace and security.

The relevant chapter of the UN Charter underlined the primary responsibility of the Security Council in such matters, stating that, in certain circumstances, it could make use of regional organisations or agencies. "There is no provision for the reverse to occur," the report said, clearly referring to the EC peace conference's demand for the UN to monitor heavy weapons.

"The United Nations did not participate in the negotiation of the London agreement. Only on the eve of its signature were my staff informed of the request it was likely to contain and given the opportunity to draw attention to the practical constraints on the UN Protection Force's ability to carry out this task," the report said. "It is most unusual for the UN to be asked to help implement a politico-military agreement in whose negotiation it has played no part."

In reply to the UN secretary-general's criticisms, Lord Carrington has repeatedly stressed that the EC peace conference merely made a "request" to the UN. Moreover, that request came from the warring parties and could not therefore be described as his own or the EC's "plan."

Mr Boutros Ghali said that the additional functions the UN force had been asked to perform were "simply beyond its present operational and logistical capability." It would take at least three months to deploy all the personnel and equipment needed to carry out the weapons supervision operation in Bosnia.

Destroyer demand, Page 2

CBS chief in talks for Canary Wharf

By Robert Peston and Vanessa Houlder in London and Alan Friedman in New York

MR LARRY TISCH, the billionaire US chairman of the CBS television network, has had talks with Mr Paul Reichmann about making a joint rescue bid for Canary Wharf, the financially troubled east London property development.

Financiers with a close knowledge of both Mr Reichmann, who created the 4.5m sq ft docklands development, and Mr Tisch confirmed that discussions have been taking place.

Canary Wharf is in administration under UK insolvency procedures. Bankers to the project fear it will be liquidated unless a successful takeover bid can be made before the end of September.

Mr Tisch's net worth has been estimated by Forbes, the US financial magazine, at $1.4bn (£730m). Apart from controlling CBS, Mr Tisch is also chairman of Loews Corporation, the family group that had $13.6bn of turnover last year and has interests in insurance, cigarettes, hotels, watchmaking, shipping and oil and gas drilling.

However, a final decision on whether to participate has not yet been taken by Mr Tisch. He is thought to be concerned about committing his capital while it remains uncertain whether the Jubilee Line extension into Docklands will be built.

Like other potential investors in Canary Wharf, he believes that the prospect for the development will be vastly improved if the line is built. But he is reluctant to make the £170m private sector contribution to the line's costs which has been demanded by the UK government.

However, Mr Reichmann is understood to be hopeful that a deal can be struck.

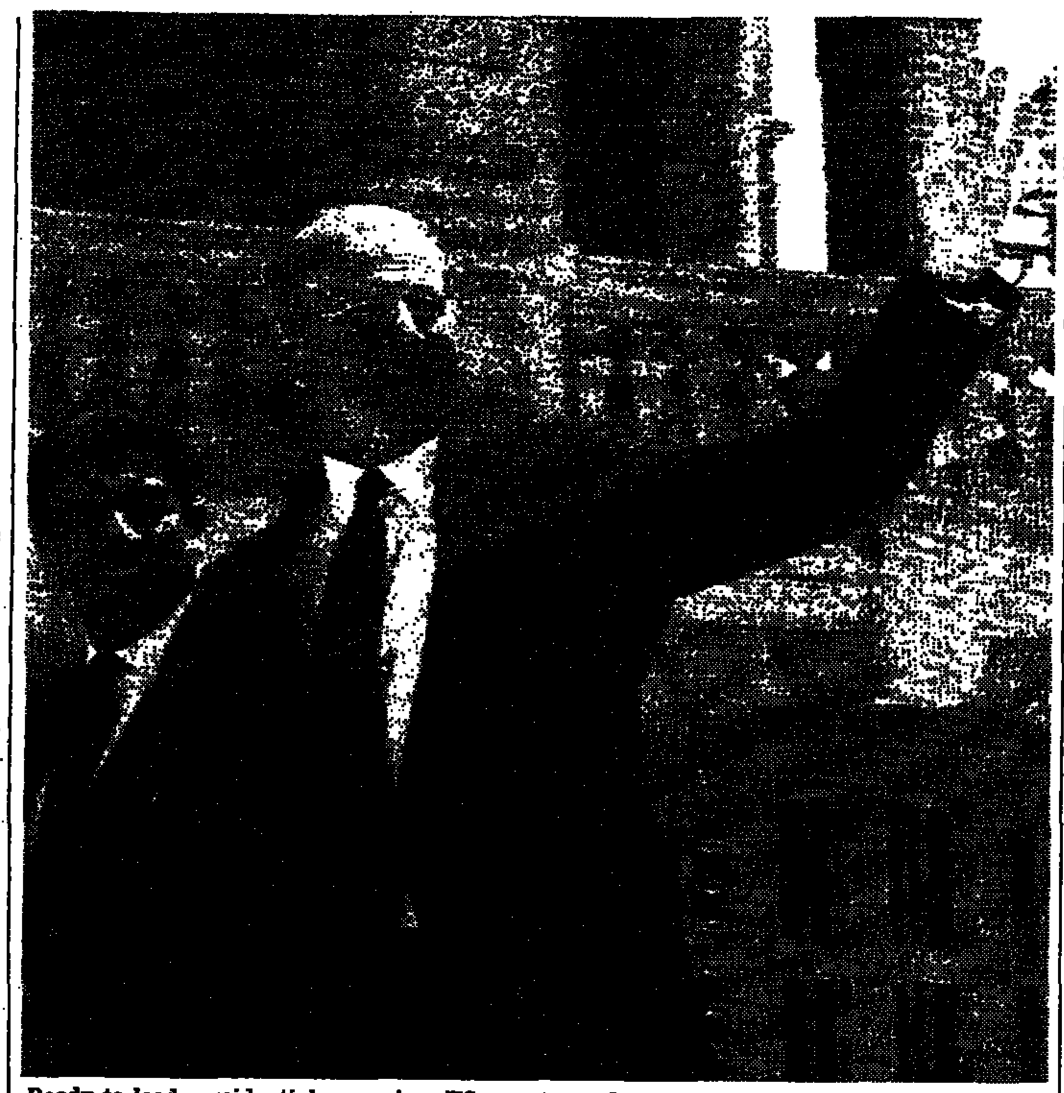
In a separate development, it also emerged that Britain's second biggest property company, MEPC, has examined whether it should participate in a bid for Canary Wharf but has decided against any financial involvement with the project.

Potential bidders who remain interested include the Richardson Brothers, the Midland's based property developers, who said they would be interested in joining a consortium bid. Mr Don Richardson said: "I think Canary Wharf is the steal of the century".

Other possible participants in any bid, with or without Mr Reichmann, are Hanson, the UK conglomerate, and British Land, the property company.

The deadline for putting together a takeover package is probably the date of any decision by the government on whether to build the Jubilee line, since with-

Continued on Page 12



Ready to lead presidential campaign: US secretary of state James Baker in Cairo yesterday

Bush waits for Baker to work his political magic

By Jurek Martin in Washington

MR JAMES BAKER has the reputation of being a political magician. If he pulls President George Bush's re-election campaign out of its present troubles he will instantly be promoted into the miracle-worker class.

That the secretary of state is to return to the White House soon to take charge of the campaign and domestic policy is "a done deal," whatever Mr Baker's or others' protests to the contrary. The move has been expected for weeks. Mr Bush's substantial trailing of Governor Bill Clinton, the Democratic nominee, has rendered inevitable a repeat of 1988, when Mr Baker left the Treasury to manage the Bush effort. Mr Bush was trailing then, too, but by a narrower margin than now.

Mr Baker is on a trip to the Middle East and Asia. The shift may not be formally announced until after Mr Yitzhak Rabin, Israel's new prime minister, comes to Washington next month, a visit with domestic political connotations just before the Republican party convention.

Mr Lawrence Eagleburger, Mr Baker's deputy, is likely to be appointed acting secretary of state. Federal law permits the president up to 120 days to nominate a permanent replacement, allowing him to avoid a potentially difficult confirmation process in Congress before the November 3 presidential election.

Mr Clinton was quick to argue that transferring Mr Baker demonstrated the limits of Mr Bush's commitment to an active foreign policy, at a time when Israel's change of government opened new possibilities of progress in the Middle East.

Mr Baker will come in over the heads of Mr Sam Skinner, the White House chief of staff, and Mr Robert Teeter, titular campaign chairman and also an old friend. Neither will object to being superseded.

He may bring with him some of his inner circle of advisers at the State Department, including Ms Margaret Tutwiler, the spokeswoman, and Mr Robert Zoellick, the counsellor who, in effect, takes charge of international economic policy.

The toughest immediate issue for the campaign has been whether Vice-President Dan Quayle remains on the Republican ticket. Mr Quayle, whose selection by Mr Bush in 1988 did not meet Mr Baker's approval, is unpopular except with party conservatives. One poll this week reported that 60 per cent of those questioned would not mind if he were replaced, and he is matching up badly with Senator Al Gore, Mr Clinton's running-mate.

But Mr Bush yesterday appeared to scotch rumours that Mr Quayle might be dumped. Asked by reporters if Mr Quayle's status was uncertain, Mr Bush responded: "No, it's very certain."

The choice of any replacement for Mr Quayle would be tricky. But if General Colin Powell, chairman of the joint chiefs of staff and hero of the Gulf war, ran with Mr Bush it would be easy to overcome objections that ditching Mr Quayle was an act of desperation.

However, Mr Baker himself is thought to harbour presidential ambitions and he may be reluctant to advance the cause of potential rivals by promoting them to the number two spot on the ticket. They include Mr Dick Cheney, secretary of defence, Senator Phil Gramm of Texas, and Governor Pete Wilson of California.

The overriding task, in any case, is to transform Mr Bush into a candidate in whom the country can have confidence for four more years. Mr Clinton is making all the running.

Baker praises Israel, Page 12

US raises pressure on defiant Baghdad

By George Graham in Washington and Mark Nicholson in London

THE US yesterday stepped up pressure on Iraq by warning that it could not rule out the use of military force if Baghdad continued to defy a team of United Nations weapons inspectors.

Mr Marlin Fitzwater, White House spokesman, said the US was "increasingly concerned" by Iraq's continuing defiance of the UN, and said Baghdad must be held accountable for "stonewalling UN inspectors who are trying to identify and destroy Iraq's weapons of mass destruction".

US officials have grown increasingly frustrated at President Saddam Hussein's testing of the UN's determination to enforce the Gulf war ceasefire resolutions.

The US and its allies have repeatedly threatened military action in the past, usually forcing Iraq to back down at the last minute. Mr Fitzwater acknowledged that the US had issued similar warnings, but said the current stand-off was "about as serious as any we've faced".

The warning, echoed in London by British officials, came as the UN team, which has been barred from entering the ministry of agriculture in Baghdad, decided to end a 17-day vigil in front of the building because of fears for its safety.

Mr Rolf Ekeus, head of the UN special commission into Iraq's weapons programmes, said there were "fears of violence – either imminent or unfolding" against the UN team following several days in which it had been harassed by Iraqi demonstrators.

UN officials insisted that the UN inspectors had not abandoned their demand to enter the building, but Mr Ekeus admitted that their monitoring had been "severely weakened".

He said Iraq had refused to allow a UN helicopter to survey the building, believed to contain chemical, biological and nuclear-related weapons materials.

The latest confrontation, which follows a series of attacks on UN troops and offices in northern Iraq, is encouraging the view among the Gulf war allies that Mr Saddam has moved beyond the pattern they characterise as "cheat and retreat".

PEP MOBILITY

Does your Personal Equity Plan give you good performance, efficient administration and clear statements? If not, it may be appropriate to consider whether your PEP could be better managed by Mercury.

As one of the largest investment managers in the UK, Mercury has the strength and resources to provide the performance and service you are looking for. We offer a comprehensive range of PEPs linked to a wide selection of underlying investment funds. So there is almost certain to be a Mercury PEP to match your investment needs and objectives.

For those with existing PEPs from previous years, Mercury is offering advantageous terms for transfer into a Mercury PEP during the current tax year.

For further information on Mercury PEPs and PEP transfers contact your financial adviser or call us free on 0800 244400.

MERCURY
PERSONAL EQUITY PLANS

MERCURY ASSET MANAGEMENT

Mercury Asset Management plc FREEPOST London EC4B 4DQ
Member of IMRO.

The value of investments may go down as well as up and you may not get back the amount you invest. The information in this advertisement is based on current legislation.

CONTENTS

Commission clears bid for Perrier

By Andrew Hill in Brussels and Guy de Jonquières in London

NESTLE, the Swiss foods group, has won European Commission approval for its FFr15.46bn (£1.58bn) bid for Perrier, the French mineral water group, but will have to give up several brands to a new "third force".

It has agreed to sell the Vichy, Saint Yorre, Thonon and Pierval brands, as well as an unspecified number of other unnamed sources to a single buyer to create a viable competitor. The brands – which have to be sold before a set deadline – represent some 20 per cent of French mineral water capacity.

Sir Leon Brittan, EC competition commissioner, yesterday hailed the Commission's decision as "a considerable victory for the consumer" and a landmark in Brussels' rapidly evolving merger control policy.

The decision establishes for the first time that the EC merger control authority can take into account the impact of duopolies and oligopolies – where more than two groups dominate a market – in its investigations.

But sceptical competition lawyers pointed out that the decision still leaves more than two-thirds of French mineral water production in the hands of a duopoly – Nestlé and BSN, the French foods group which will buy the Volvic brand from the enlarged group.

"This is yet another 'deal' [between the Commission and companies]," said Ms Diana Good, a partner with the law firm Linklaters & Paines in Brussels. "There's no doubt that the time is ripe for one of these merger regulation cases to be challenged before the European Court. The question is who is going to do it?"

Source of change, Page 16

Milosevic accuses west of forcing terms

By Laura Silber in Belgrade

MR Slobodan Milosevic, the president of Serbia, yesterday accused the international community of trying to bring Serbia to its knees and to "tear Yugoslavia apart".

Mr Milosevic, in a rare public appearance, said the political motives behind international sanctions were "to force Serbia ... to accept humiliating terms and give up the chance to show solidarity with Serbs in other republics".

Speaking to politicians in Leskovac, south-eastern Serbia, a region of traditional support, he blamed the international community for "foisting a war on the former Yugoslav republics in order to break up Yugoslavia".

He warned that it was "most important to eliminate the danger of war in Serbia" and lashed out at Serbia's opposition parties for "serving the interests of the rich and mighty" – a reference to the international community.

While he denied that Serbia was aiding Serb fighters in Bosnia, he said: "We are supporting the war, but in the sense of ... the just battle of the Serbian people in the former Yugoslavia ... for an equal position in every aspect".

His comments came after Mr Alija Izetbegovic, the president of Bosnia, formalised an agreement with Mr Franjo Tudjman, the president of Croatia, to fight together against Serbian-backed forces if international efforts to end the bloodshed fail. The two leaders "urged the UN, the US and the EC to undertake real and effective measures to stop the aggression".

Mr Izetbegovic has pressed for foreign military intervention to aid the mostly Moslem forces loyal to the Bosnian government.

His agreement with Mr Tudjman appears partly to reflect his loss of faith in international efforts to end the war, a western diplomat said.

"Izetbegovic is over a barrel. Although he has serious cause to wonder what Croatia's long-term plans are, he depends on support from Croatian forces in Bosnia," he said.

UN officials in Sarajevo yesterday warned that the escalated fighting could jeopardise the international relief effort. "The thread is getting very thin that's holding this together," said Canadian General Lewis MacKenzie after an encampment of 350 Canadian peacekeepers came under mortar and gun fire.

Sarajevo radio reported fighting in Dobrinja, a suburb of Sarajevo near the airport. It said one person was killed and several buildings were ablaze in the centres of Sarajevo and Dobrinja.

UN FEARS A MILLION MORE BOSNIAN REFUGEES

THE United Nations, already pouring relief supplies into Bosnia, fears that winter hardships could force a million more people to leave their homes in the newly-independent Balkan state and become refugees, Reuter reports from Sarajevo.

"We are already assisting 2.5 million people (from Bosnia) and we are terrified at the way this conflict is evolving," said Mr Jose Maria Mendiluce, special envoy of the UN High Commissioner for Refugees (UNHCR).

"We are not expecting a massive return of population to their place of origin (after the war). We are witnessing...a growing conviction among the people that the situation will never be as it was," he said.

Mr Mendiluce said a big fear was that as winter approached, hundreds of thousands more civilians would try to leave their bombarded towns and cities in search of food, warmth and safety.

The UNHCR has called a conference in Geneva next week to ask the world community for more support and to establish mechanisms to deal with the crisis.

Decisions attacked: Helmut Kohl (right) and Foreign Minister Klaus Kinkel yesterday defended the German role in Yugoslavia

SPD demands destroyer pull-out

By Christopher Parkes in Bonn

GERMANY'S Social Democrat (SPD) opposition yesterday called for the immediate withdrawal of federal troops from the allied force monitoring the United Nations trade embargo against Serbia and Montenegro.

It also urged the government to press for war crimes charges to be prepared in the UN against Serbian leaders whom it accused of "genocide" in Bosnia-Hercegovina.

In a sustained attack on the Bonn cabinet's decision last week to send a destroyer and three aircraft to join other Western European Union and Nato forces in the Adriatic, Mr Hans-Ulrich Klose, leader of the SPD parliamentary party, said the mission was unnecessary and would be of no help to the people of the former Yugoslavia.

Surveillance could be carried out equally well by satellites or the secret service, he told Bundestag members called back from holiday for a special sitting.

The cabinet's decision to send the forces without full consultation was a snub to parliament and an attempt to expand Germany's global military role in defiance of the constitution, he declared.

The SPD group agreed on Tuesday night to appeal for a ruling at the constitutional court in Karlsruhe. The government firmly defended its position, citing the use of German forces in non-interventionist supporting actions going back 30 years.

Mr Wolfgang Schäuble, leader of the governing group of Christian Democrats and the Christian Social Union, said he was confident the court would back the move. To be able to take part in the future European union, Germany had to be able to play a full role in common security and foreign polices, he said.

Whatever the ruling, it will help clear the foggy constitutional position, and prepare the ground for change. The SPD has proposed changes which will limit German forces to peace-keeping missions under the auspices of the United Nations.

The government, which has made no specific proposals, wants a full commitment to both peacekeeping and peacemaking.

Treuhand announces record sales in June

By Leslie Colitt in Berlin

MRS Birgit Breuel, president of the Treuhand agency, yesterday announced that a record 562 former east German state companies were privatised in June, but admitted the agency's debts had mounted to more than DM200bn (£68.9bn).

The German Finance Ministry recently estimated that by the time the federal government and states assumed the Treuhand's debts, at the end of 1994, they will have risen to DM250bn. This estimate now appears on the low side as the Treuhand increasingly turns to costly restructuring of unsaleable companies which it nonetheless believes are viable.

Mrs Breuel said that in addition to the debts, there were substantial charges arising from extensive ecological damage by east German companies.

By the end of June, 8,175 companies had been privatised, while 4,340 companies under the Treuhand umbrella remained unsold. Proceeds from the privatisation amounted to DM30.7bn and the buyers had pledged to invest DM144bn and guarantee 1.2m jobs.

Mr Theo Waigel, the German finance minister, said after conferring with Mrs Breuel yesterday, that one of the main issues was the serious effect the collapse of orders from the Soviet Union was having on struggling east German companies.

He blamed "internal Russian conditions" for the lack of concrete orders despite the German government's recent approval of DM5bn in Hermes export credit guarantees this year for east German companies exporting to the Commonwealth of Independent States (CIS).

Mr Waigel said Germany had done everything possible to facilitate east German deliveries to the CIS. The Russians, however, were neither signing contracts nor giving state guarantees for payment.

Mr Heinrich Hornef, the board member of the Treuhand responsible for finance, said the Russians were seeking to obtain "special arrangements" from the Germans, which diverged from international practice.

"They are also trying to set an unrealistic exchange rate for the rouble," he said.

The haggling over conditions is taking place even though Russian and Ukrainian industrial companies are desperately in need of east German spare parts, plant and equipment. Seventeen ships ordered by former Soviet shipping lines and worth DM850m are still at east German shipyards awaiting payment.

NEWS IN BRIEF

Britain criticises Iberia aid decision

BRITAIN yesterday attacked a European Commission decision to approve a Pta120bn ($1,252) capital increase and restructuring plan for Spain's state-owned airline Iberia, write Andrew Hill in Brussels and Daniel Green in London.

Brussels gave its approval after Madrid promised to use the funds to renew Iberia's fleet rather than buy stakes in other Community airlines. It will also alter the loss-making airline's statutes in line with EC air transport liberalisation plans. The Commission said this should be the last subsidy.

Lord Caithness, UK aviation minister,

said Mr Karel Van Miert, transport commissioner, had agreed state aid could be allowed if it might equally have come from a commercial organisation. "Yet within days the Commission has approved a vast injection of state aid to Iberia which surely no private sector company would have undertaken."

German money grows at 8.7%

The rapid growth in German money supply, which led to last week's increase in the Bundesbank's discount rate, continued in June, the bank said yesterday, writes Christopher Parkes from Bonn.

The broad M3 measure grew at an annualised 8.7 per cent, compared with a revised 8.8 per cent in May. Bank lending to the private sector increased by more than 11 per cent in the six months to the end of June, compared with "a good 12 per cent" in the six months to the end of May, the bank noted.

Unemployment to rise in EC

Unemployment in the European Community will rise from an average 9.5 per cent this year to 9.7 per cent next year, the Commission forecast in its annual employment report yesterday, writes David Buchan in Brussels.

Ms Vasso Papandreou, employment commissioner, said targets for economic convergence and fiscal austerity in the Maastricht treaty, should not be achieved at the expense of unemployment.

Help pledged for Albania

The world's 24 richest nations promised yesterday to relaunch Albania's battered economy and cover its food needs for the coming months, Reuter reports from Tirana.

Change in UK rebate outlined

By David Buchan in Brussels

THE European Commission yesterday put forward options which could slightly reduce Britain's future rebates on its EC budget contributions, but stressed it was for the Council of Ministers to decide.

Since 1985, Britain has received back each year two-thirds of the net difference between what it pays in and what it gets in return.

The Commission is not proposing any change in this 66 per cent rebate but suggests a possible modification to how the gap is defined. This rebate is paid in recognition of the fact that Britain, with slightly less than average EC income per head, makes the second largest gross revenue contribution while getting relatively little EC money back in the form of price support for its small agricultural sector.

The current system could be maintained, the EC executive says, in which case the level of the UK rebate, expected to total Ecu2.27bn (£1.6bn) this year, "would remain roughly the same in constant Ecu figures", despite the planned growth in the EC budget over the next five years.

The Commission proposes two possible modifications. Any changes would have to be decided by unanimity, thus giving the UK a veto.

One is to take out of the calculation of Britain's net budgetary gap whatever the UK pays into the cohesion fund proposed for poorer countries. This would reduce the rebate, though not by very much, EC officials said.

The second possible change would be to reduce the share of the UK rebate shouldered by Germany, which makes by far the biggest net contribution (Ecu9bn this year) to the budget. Bonn is already excused one third of its share of the UK rebate, and is pushing for a further reduction.

Such a change would not necessarily reduce the UK rebate, provided other countries were willing to take up Germany's reduced contribution to it. But their readiness to do this is far from clear.

Brussels moves on air control

By Andrew Hill in Brussels

THE European Commission yesterday restarted the process of nudging EC member states towards a single air traffic control system and relieving congestion in the skies.

Commissioners adopted legislation aimed at harmonising and integrating air traffic control equipment in Europe's 54 control centres. The centres currently use 31 different and incompatible technical systems and 70 different computer languages.

Under the Commission's plans, new surveillance, navigation and communication systems would have to conform to a single set of standards developed by Eurocontrol, the 14-nation air traffic control organisation based in Brussels.

The Commission has already tried once to persuade member states to harmonise the complex European system. Three directives were produced in 1988, with broadly the same aim, but they were rejected by EC ministers keen to protect sovereignty over their own airspace. Now, according to Mr Karel Van Miert, the EC transport commissioner, the time is ripe for a new effort.

"Little by little, the member states have begun to change their minds," he said yesterday. "They now recognise that the Community has an important role to play."

In March, transport ministers from the European Civil Aviation Conference (ECAC) outlined a plan to improve the air traffic control system, and last week European airlines called on the European authorities to act quickly to relieve congestion. But Mr Van Miert made clear yesterday that progress would be gradual and that this directive was only the first step.

Delays and cancellations have now become a notorious feature of air travel in Europe, particularly in the summer.

Italian mini-budget gets accelerated passage

By Robert Graham in Rome

THE Amato government's emergency economic package to cope with Italy's deteriorating finances yesterday passed its first parliamentary hurdle.

The chamber of deputies agreed by 294 to 228 that the decree containing the economic measures could be accorded urgent status.

The entire parliamentary passage for the mini-budget, raising an extra L30,000bn (£13.9bn), is now expected to be completed by next Wednesday, according to a timetable agreed by the 16 political parties.

The government, headed by the Socialist prime minister, Mr Giuliano Amato, has a 16-seat majority with the backing of the Christian Democrats, Socialists, Social Democrats and Liberals. In addition, the small Republican party yesterday decided to support it.

The political parties have been remarkably muted since the budget was announced on July 17, even though traditional privileges of patronage in a slimmed-down state sector are under threat.

In part, this reflects internal divisions within all the main parties. But Mr Amato also appears to be having some success in persuading them there is no viable alternative but to approve the package if Italy wishes to regain international credibility and improve its public finances. He has been backed by Mr Carlo Azelio Ciampi, the governor of the Bank of Italy, who addressed parliament on Monday.

The most visible opposition has come from the trade unions, whose leaders met Mr Amato and the government economic team yesterday. As a sop the government may cut the increase in social security contributions for salaried workers from 0.8 per cent to 0.6 per cent and modify proposals on ending controlled rents for the lower paid. But last Saturday the three main union confederations could only muster a crowd of 8,000 in Rome to protest against these.

Confindustria, the employers confederation, whose representatives also met the government yesterday, is prepared to back the measures provided Mr Amato does not give ground to the unions which they are then asked to make up.

Editorial comment, Page 10; Efim, Page 13

Milan bourse at new low amid growing pessimism

By Haig Simonian in Milan

ITALY'S hard-pressed equity markets suffered a further blow yesterday with the Milan bourse sinking to a new low for the year, while money market interest rates continued to surge.

The Comit index of shares fell by 0.47 per cent to 409.76, its lowest level since October 1985. Rates for banks' securities repurchase agreements (repos) with the Bank of Italy climbed to 17.56 per cent from 16.02 on Friday.

Analysts blamed the movements on pessimism about Italy's economic and political prospects, which has overwhelmed any fundamental factors about the health of the corporate sector. "Uncertainty is what drives the market crazy, and we're at the height of uncertainty at the moment," said one.

Sentiment remains overshadowed by concern about the lira, possible further interest rate rises and political instability before parliamentary votes later this week on the mini-budget and privatisation. Italy's credibility has also been hit by the poor handling of treatment for creditors of Efim, the state holding company which is to be wound up.

Shares in companies linked with Mr Salvatore Ligresti, the Sicilian property magnate arrested last week in the Milan political corruption scandal, were among the hardest hit. Premafin, Mr Ligresti's main holding group, tumbled 3.4 per cent to L7,100.

Dealers were pessimistic about equities and the economy. "Foreigners are already out of the market; it's Italian funds which are selling now on account of high redemption pressure from investors," said one.

See World Stock Markets

East European consumers take national shape

By Gary Mead, Marketing Correspondent

BULGARIANS may not have much to cheer about, but at least they have twice as many freezers as Poles. On the other hand, Poles, on average, have twice as many video-recorders as Czechs and Slovaks.

European Russians stand twice as much chance of having a domestic telephone than Hungarians. But none of the newly independent east European countries can boast more home satellite dishes than Hungary.

These findings appear in "The East European Consumer"*, a report published yesterday by Mintel, the UK's leading market research analyst.

Mintel questioned about 1,000 people in each of Bulgaria, Czechoslovakia, Hungary, Poland, and European Russia, from a wide range of occupations and locations.

The survey suggested that Czech, Slovak and Hungarian households were the most likely to be equipped with the more basic consumer durables, such as a washing machine and television, while European Russian and Bulgarian homes came bottom of that particular ladder.

When it comes to one of the greatest status symbols of all – a personal motor car – the picture in east Europe is as varied as with other luxury items. Car ownership is at its highest in Czechoslovakia and Hungary, with 207 and 204 cars per thousand inhabitants respectively; in Russia the figure is closer to 84. By contrast, car ownership is about 600 per thousand people in the US and just over 400 in the UK.

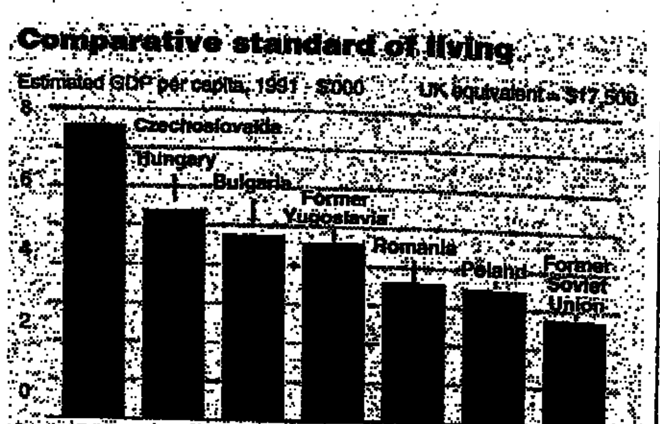
The survey also revealed widely different attitudes on leisure activities. Czechoslovaks were found to be keenest on sport, with one in four of the sample having a sporting recreation, against just one in ten Bulgarians, who topped the list for those spending time in cafes and bars. Listening to Western radio was found to be most popular in Czechoslovakia and European Russia.

Mintel also tried to gauge more intangible aspects of life for the region's consumers, by asking questions designed to ascertain feelings of optimism versus pessimism, and of being risk-inclined or cautious. It found that while "there is considerable variance in the responses", the overall view from the region was one of "cautious optimism". Optimism about future economic prospects was found to be at its highest in Hungary and Poland, and reached lowest ebb in European Russia.

Czechs and Slovaks evinced the least inclination to take risks – perhaps, hazards the study, because "they certainly have the best equipped households in the survey" – while the Polish sample indicated the highest number backing risk-inclined statements such as: "There's not enough excitement in my life" and "I would gladly live in another country."

Mr Peter Ayton, Mintel's senior European analyst, said that while crucial statistics, such as those relating to personal disposable income, were either inaccurate or unavailable, the study offered a "guide to the relative prosperity of the region."

Within the region – with a population of some 328m, against the EC's 327m – the study pinpoints a wide range of economic data, from gross domestic product per capita to washing machines and other consumer durables per household.



**The East European Consumer 1992* published by Mintel International Group, 18-19 Long Lane, London EC1A 9HE. Price £1,295, or separate reports on Czechoslovakia, Poland, Hungary, Bulgaria and European Russia at £395 each.*

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

NEWS: EUROPE

Interest rate rise on cards in Spain

By Peter Bruce in Madrid

THE BANK of Spain may increase its key interest rate, the intervention rate, at today's tender of certificates of deposit in an attempt to add monetary muscle to a tough package of fiscal restrictions announced by the government on Tuesday night.

The central bank intervened yesterday to reduce liquidity in the interbank market by selling short-term instruments at 12.75 per cent, up from around 12.5 per cent last week, leading to speculation that it was signalling an imminent rise in its official intervention rate, which stands at 12.4 per cent.

Analysts do not believe the peseta's controlled slide against the D-Mark in the past few weeks justifies an interest rate increase. But they say the government may be looking for an adjustment in monetary policy to boost the effectiveness of a series of tax increases and budget cuts designed to trim $3.26bn off its runaway public deficit this year.

As part of this fiscal package, Madrid has decided not to introduce a new low tax regime this year, meaning that Spaniards will be paying up to 3 per cent more tax for 1992 than they had expected. The country's top marginal rate remains at 56 per cent, one of the highest in the European Community.

The government announced in addition that it was bringing forward an increase in value added tax from 13 per cent to 15 per cent from January 1993 to August 1. It is also raising, from the beginning of next month, the amount of tax the revenue service retains on salaries each month.

Mr Carlos Solchaga, the finance minister, also announced cuts in central government capital and current transfers affecting most ministries but particularly Defence and Public Works, worth some $1.4bn for the rest of this year.

A freeze on hiring in the public sector, fines for abuse of rules guaranteeing medicines to pensioners, and a measure to force employers to pay for part of employee sick leave would cut a further $500m, he said.

The fiscal measures have been introduced to stem a 40 per cent overspend, by the end of June, in the planned central government budget deficit. Mr Solchaga conceded that a worsening economic outlook in Spain meant the economy would grow at around 2 per cent or less this year, compared with the 3 per cent projected in March.

The VAT increase could mean inflation of 6.8 per cent for the year, wide of its 5.5 per cent target and a potentially powerful argument for increasing interest rates.

The list of projects is long, but the money is short, writes **Tom Burns**

Madrid seeks private cash for public works

THE chief planning executive at Spain's Public Works ministry, Mr Carlos Alberto Zaragoza, says international financiers queue outside his office. "From BNP to NatWest, from Goldman Sachs to Indo Suez, they all want to see me."

Mr Zaragoza has only himself to blame if his appointment book is full. In a series of recent presentations to investment banks he has outlined domestic infrastructure investment of Pta15,000bn ($159.5bn) through to the year 2007 and explained that only some Pta8,000bn-Pta9,000bn of the total will be provided by the central budget.

The presentations deliver a very simple message: the government has an enormous public works shopping list, it has very little money to spend on it, and it wants the private sector to provide the balance. The bottom line is that the Public Works Ministry is putting the final touches to the creation of an autonomous agency which will channel project finance into the nation's infrastructure.

"The ministry seems to be quite clear about the need for such an agency," says Mr Carlos de la Serna, head of research at Iberagentes, a Madrid broking house owned by Credit Suisse. "It also has increasingly clear ideas about the options it has to guarantee the finance."

The shopping list would make even a government with a budget surplus blanch. Mr Zaragoza's priorities are:

- A second national road plan which will add 4,000km of motorways in the course of the 1990s to the existing 6,000km high quality road network.
- A 10-year programme to bring water treatment in Spain up to European Community standards – 60 per cent of the population receives either deficiently treated or wholly untreated water.
- Large railway investment involving an upgraded commuter line network to serve Madrid and high-speed track linking Madrid with Barcelona and the French high-speed railway system.
- A Pta120bn-Pta150bn enlargement of Madrid's Barajas airport.

Mr Zaragoza is especially concerned about the road plan. The water treatment plants will be paid for by end users and the cost of railway networks and airports is likewise to be passed on to those who make use of such facilities. Building the motorways, however, requires the government to abandon a key tenet in its approach to road transport.

Building the new motorways requires the government to abandon a key tenet in its approach to road transport.

"The government had always said that the public sector had sole responsibility for building the road network and that there would be no toll motorways," says Ms Mar Turrado, an analyst at Madrid brokers FG. Neither principle can now be maintained because "the government has not got the money."

Mr Guillermo de la Dehesa, a former senior Finance Ministry official and now chairman of Banco Pastor, says the government's refusal to have motorists pay for roads while airport passengers paid for airports is "illogical". The author of a recent pamphlet on extra-budgetary infrastructure financing, Mr de la Dehesa says the government is facing up to "a radical departure from its previous policy."

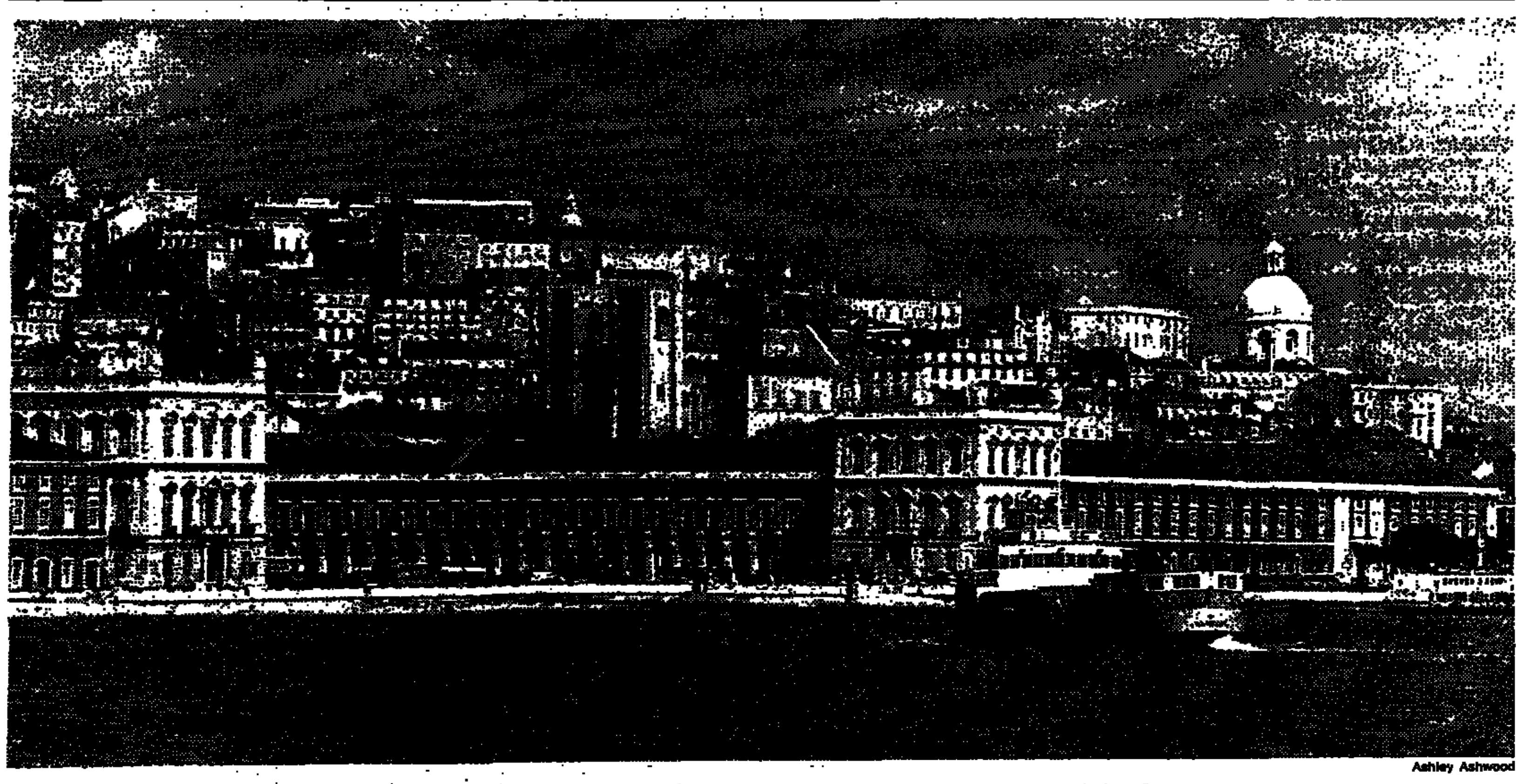
The prime minister, Mr Felipe Gonzalez, has already warned that the 1993 state budget will be extremely restrictive. Furthermore, under the Finance Ministry's policy paper on the convergence of Spain's economy with those of the country's richer EC partners, the deficit should be reduced as a percentage of gross domestic product from a current level of close to 5 per cent to 1 per cent over the next 5-7 years.

The convergence programme sets aside 5 per cent of GDP every year for investment in infrastructure but this chapter includes items such as the health service, education and professional retraining. Analysts say it is not clear how much the road network can expect from the state, and suspect Mr Zaragoza will have to tap the markets even more than he is willing to admit.

The likelihood is that as early as September the expected project finance agency will be preparing to issue its first infrastructure bond. The first issue, raising Pta50bn-Pta70bn, is expected to finance a 108km motorway linking the Basque industrial centre of Bilbao and the city of Santander, further west along the Cantabrian coast.

The issue could be guaranteed by a toll or, more probably, by a new annual infrastructure tax. The latter would either be levied on Spanish car owners and on foreign motorists entering Spain, or would be added on to petrol prices.

Analysts expect that such a bond will incorporate generous tax rebates and that it will prove popular. The financiers calling on Mr Zaragoza appear to have similar ideas.



Ashley Ashwood

Lisbon is hoping that the gloom that has descended following the Danish "No" vote on the Maastricht treaty will not last long

Maastricht clouds cast shadow on Lisbon

Portugal has much to gain from fuller European union, writes **Patrick Blum**

CLOUDS MAY have gathered over Maastricht, but Lisbon remains firmly committed to European union and deepening integration. For the Portuguese government, ratification of the Maastricht treaty is part and parcel of its ambitious plans for accelerated economic convergence with its richer northern partners. The treaty's survival, in one form or another, is therefore of key importance to Portugal which was stunned by Denmark's "no" vote last month.

The Danish rejection gave hope to the small band of Portuguese Euro-sceptics who see Maastricht's plans for deeper integration as an attack on the country's sovereignty. Ireland's "yes" vote restored official confidence, though the government could rely on the European Community's enduring popularity. Polls consistently give over 60 per cent of Portuguese voters in favour of ratification with only a small minority – well under 20 per cent – against.

There are good reasons for the Community's popularity. As the poorest member state when it joined in 1986, Portugal has received massive EC aid. Between 1986 and 1990, Portugal received Ecu2.9bn ($3.7bn), representing 1.6 per cent of its gross domestic product, in structural funds alone.

Under the Community Support Framework programme agreed in October 1989, Portugal is set to receive Ecu 7.368bn for the period 1989-93, equivalent to 3.5 per cent of its GDP, and representing a subsidy of close to $1,000 per inhabitant. In addition, soft loans from the European Investment Bank and other EC institutions could reach Ecu 2.8bn. Portugal expects EC aid to double when the Community's next financial package for 1993-97 is agreed.

The impact on one of Europe's poorest nations has been dramatic. Domestic and foreign investment has rocketed and the economy grew more than 4.5 per cent on an annual average between 1986 and 1990. Standards of living have risen and unemployment is under 4 per cent. Direct foreign investment rose faster in Portugal than in other peripheral countries, roughly doubling every year to reach above Esc1,000bn ($7.5bn) last year.

A European Commission study says: "Foreign investment . . . is contributing significantly to the restructuring of Portuguese industry in developing sectors, such as chemicals, pharmaceuticals, electrical and electronic equipment, and transport equipment, thus underpinning domestic efforts to strengthen Portuguese intra-industry competitiveness in the internal market."

Fears that competition from eastern Europe would be detrimental to Portugal have not materialised, and the Commission calculates that German unification alone caused an additional increase of 0.7 per cent in Portuguese GDP since July 1990.

Full economic union will also have a positive effect. "Portugal is likely to be a prime beneficiary of the advantages of Emu. Transaction costs savings and the suppression of exchange rate variability by virtue of a single currency will be very significant for Portugal whose currency is only marginally used as a means of international payments and whose financial service sector is not developed as in the richer part of the Community," the study says.

PATH TO CONVERGENCE

	91	†92	††93-95
GDP (% growth)	2.10	3.00	4.00
Public consumption§	3.00	0.75	0.75
Private consumption§	5.25	3.25	5.00
Inflation§	11.20	7-9	4-6
Public administration deficit*	6.20	4.00	3.00
Public debt*	65.25	59	53
Current a/c deficit*	1.00	1.00	1.75

† Forecast. †† Planned. * % of GDP. § % change. Source: Finance Ministry

Getting there is the difficult part, and for Portugal which wants to be among Emu's founder members by joining in 1997 or by 1999 at the latest, it is a formidable challenge.

Inflation, the toughest nut to crack, will have to be brought down from 11.2 per cent in 1991, more than twice the EC average, to within 1.5 points of the Community's best performers; the budget deficit cut from last year's 6.5 per cent to 3 per cent of GDP; the public sector debt brought to below 60 per cent of GDP; interest rates will have to come down and the escudo, which only entered the exchange rate mechanism of the European Monetary System three months ago, will have to move into the narrow 2.5 per cent band. All the while, Portugal will have to grow at a faster rate than its Community partners.

Portugal's convergence plan aims to satisfy all these requirements, some before 1997. But there is a constant danger of slippage. Critics doubt it is possible simultaneously to reduce inflation – and hold back wages when there is practically full employment – and maintain high rates of growth and investment. They also wonder whether the government has the political courage to push through the tough medicine needed to tackle budget deficits.

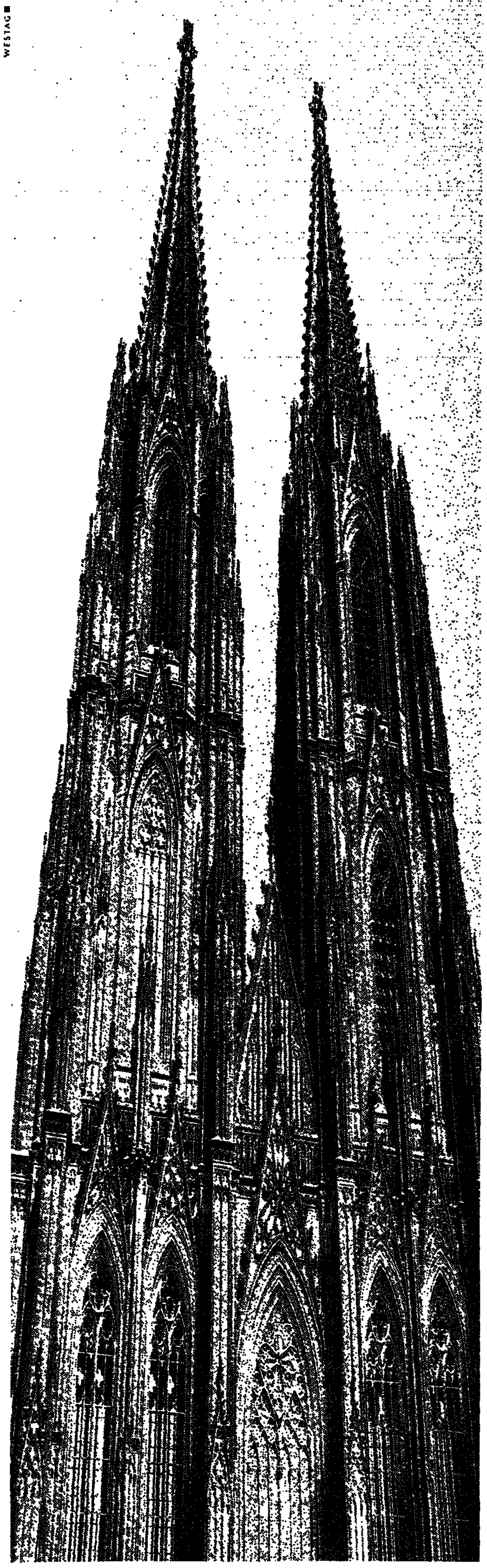
What is not in doubt is that Portugal will need more help to restructure its agriculture and ailing industries, and to modernise its infrastructures. That is why it wants an early agreement on a new Community budget including the new "cohesion fund" to help the EC's poorest members catch up.

Help is important if the government is to contain growing social pressures. Farmers have demonstrated noisily against the reform of the Common Agricultural Policy which their leaders say could force 70 per cent of Portugal's farmers off the land. Thousands of workers in the textile industry face lay-offs as competition from within and outside the EC intensifies, and companies – not only in the textile sector – have campaigned vigorously for protection against what they see as a precipice opening up under their feet. Trade unions are flexing their muscles for a fight with the government over plans to trim the public sector which employs some 600,000 workers, representing 17 per cent of Portugal's 3.5m labour force.

The government will extend help to farmers and it hopes that enough jobs will be created as an alternative for workers facing lay-offs in traditional industries.

But it has less room for manoeuvre as far as public finances are concerned. The budget deficit has to be reduced to meet the tough conditions imposed by Maastricht for monetary union. With an overall cut in expenditures ruled out by the need to spend more on education and health as well as to co-finance EC-backed investments, reducing the public administration bill is a politically acceptable alternative to raising taxes, but the social and political strains of convergence are starting to show.

With an election in the recent past (last October), the government has another four years to show that it can make its ambitious convergence plans stick – provided Maastricht itself remains on target.

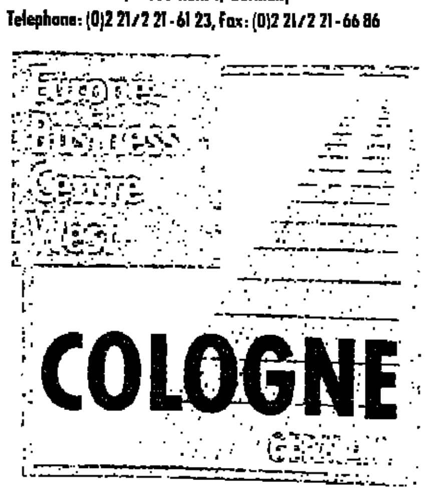


High-flying ideas, excellent prospects.

With its central location, Cologne has long been a stepping stone to Europe for multinational companies. The city is the centre of the German insurance industry, home to leading German business associations and an international trade-fair venue hosting mega events like ANUGA and PHOTOKINA. In Cologne, more than anywhere else in Germany, the media is the message. WDR, Europe's biggest public service broadcasting corporation, Deutsche Welle, Germany's overseas radio service, and RTL plus, Germany's leading commercial TV station, are all located here, alongside numerous publishing houses. Starting 1993, Vox, another commercial TV station, will go on the air from Cologne. A city of the future right in the heart of Cologne, the new 2 million sq. ft MediaPark now under construction will ensure Cologne plays a significant part in future media developments, providing the city with unique communications facilities.

To find out more about Cologne's potential for high-flying ideas, just write, fax or give us a call.

Office of Economic Development
Richartzstr. 2-4, 5000 Köln 1, Germany
Telephone: (0)2 21/2 21-61 23, Fax: (0)2 21/2 21-66 86



Tokyo shares pulled down by debt fears

By Robert Thomson in Tokyo

THE Tokyo stock market fell 2.9 per cent yesterday, leaving the Nikkei at 15,541.95, its lowest level since April 1986. The fall was precipitated by doubts over the health of the economy following the release of a gloomy Bank of Japan quarterly forecast.

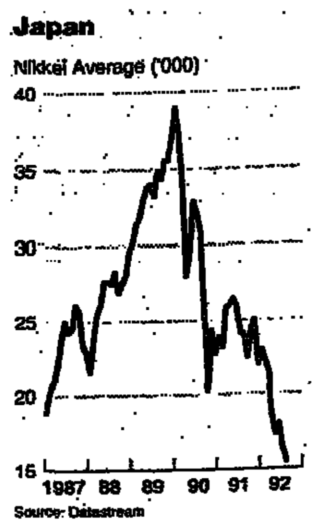
The Bank of Japan said yesterday that it is closely watching the restructuring of troubled non-bank financial institutions, whose difficulties have been heightened by the renewed weakness of Tokyo stock prices.

Mr Yasushi Mieno, the central bank governor, said the financial system is secure in spite of the difficulties facing non-bank lending institutions, which fuelled the stock and property price spiral of the late 1980s, but now have fast accumulating bad debts.

He said non-banks and other institutions should not necessarily support all of their troubled borrowers, and suggested that financial institutions restructuring their operations should maker further changes to ensure their profitability.

Mr Mieno's comments made clear the central bank has revised its outlook on the economy, and that a recovery, expected in the autumn, will come later. He pointed to decelerating consumer demand as an important reason for delays in the adjustment of inventories. Concerned that yesterday's fall in the stock market could prompt even deeper falls in the next few days, Mr Sakae Kudo, chairman of the Japan Securities Dealers' Association, said the market correction must be close to completion.

But Mr Sakae said stock



prices are being weighed down by concerns about the domestic economy, and suggested that the Bank of Japan reduce the official discount rate from the present 3.75 per cent.

■ The ruling Liberal Democratic Party (LDP) is growing in confidence that it will win a larger than generally predicted share of the seats to be contested in an election on Sunday for half the seats in the upper house of parliament.

Opposition parties admitted yesterday that their campaigns have been flawed. Polls suggest the LDP could take about 70 of the 127 seats, instead of the 60 or fewer seats forecast when the campaign began. If the LDP does accumulate 70 seats, the party and two coalition partners, Komeito and the Democratic Socialist Party, will consolidate their control over the upper house and put the LDP in a strong position to regain a majority of seats at the next election in 1995.

Building freeze near in W Bank and Gaza

By Hugh Carnegy in Jerusalem

THE Israeli government is today set to entrench temporary measures taken to stem new building in Jewish settlements in the occupied territories, moving closer to Arab demands for a complete settlement freeze and US conditions for the release of $10bn in loan guarantees to Israel.

Yesterday, the housing ministry confirmed that in addition to a temporary freeze imposed last week on unsigned contracts for government-backed housing, it had also this week ordered a halt to projects in the West Bank and Gaza Strip where contracts had been signed, but construction work was not yet in progress.

Mr Avraham Shochat, the finance minister, and Mr Binyamin Ben Eliezer, housing minister, will meet today to formulate the extent of a new building freeze and review the possibility of halting some programmes where construction is underway.

Mr Yitzhak Rabin, the prime minister, has avoided spelling out how far he is prepared to go in freezing settlement activity. Although committed to extensive curbs, he has tended to exclude settlements in the Golan Heights, the Jordan Valley and the Jerusalem area which he classifies as "security settlements", against "political" or ideological settlements.

However far it turns out he is prepared to go, there are strong pressures other than the weight of US and Arab opinion pushing Mr Rabin towards deep cuts.

The over-inflated housing programmes commissioned to cope with mass immigration from the former Soviet Union by the previous government of Mr Yitzhak Shamir demand radical measures to stem costs and over-supply. In these circumstances, settlements in the occupied territories, where relatively few Israelis and few immigrants want to live, are an obvious target for the axe.

Finance ministry estimates put the cost of redeeming guarantees to contractors to buy back unsold apartments at up to Shk4bn ($1.6bn) – or about 5 per cent of the 1992 budget. With the US pressing Israel to contain its fiscal deficits as a further condition for the loan guarantees, it is the kind of expenditure that Mr Rabin has to control.

The attention on last week's initial building freeze focused on the occupied territories. What was less noticed was that it applied to all new contracts inside Israel as well. Only about one-fifth of some 60,000 government-commissioned units said to be under construction and about half of the 5,000 contracts awaiting signature are in the West Bank and Gaza.

Mr Shochat and Mr Ben Eliezer will have to halt or curtail any building projects inside Israel "proper" as well as in the occupied territories. But, given the political climate over the settlements in the West Bank and Gaza, it is inevitable that these will bear the brunt of the cuts.

S African talks falter as protests grow

By Philip Gawith in Johannesburg

SOUTH Africa was faced last night with the renewed prospect of extended industrial strife as talks between business and labour hung in the balance.

Representatives of the Congress of South African Trade Unions (Cosatu), the largest union grouping in the country, and the South African Co-ordinating Committee on Labour Affairs (Saccola), an umbrella employer body, have been meeting for the past two weeks in an effort to avoid a general strike in August and to break the constitutional deadlock.

A draft charter for "peace, democracy and economic reconstruction" had been agreed between the two parties, but both have apparently experienced difficulties in bringing their constituencies with them.

Their efforts coincide with an escalation in the mass action campaign of the African National Congress (ANC) and its allies. This week has seen the ANC embark on an extended series of of sit-ins in government offices, police stations and magistrates' courts.

Yesterday's protests included shoppers running up bills at tills of leading stores and then refusing to pay.

Protestors also gathered at the Pretoria central prison, demanding an end to township violence and a swift transition to democracy.

More than 1,000 demonstrators have been arrested since Monday, although few have been held in police custody.

The United Nations special envoy, Mr Cyrus Vance, yesterday met President F W de Klerk. His trip follows last week's Security Council resolution and will seek to create a climate for negotiations. Mr Vance held two hours of talks with Mr de Klerk who briefed the envoy on his government's position regarding constitutional talks with the ANC and other black-led parties. "I have used the opportunity to inform Mr Vance about the issue of violence and constitutional negotiations and of the government's broad attitudes and steps we have taken and we are taking," Mr de Klerk told reporters.

Mr Vance did not comment. He is scheduled to meet the ANC and the Zulu-based Inkatha Freedom Party today.

South African plainclothes policeman pulls his revolver on demonstrators in the centre of Johannesburg yesterday

Indian court orders halt to temple construction

By Shiraz Sidhva in New Delhi

THE Indian Supreme Court yesterday ordered the Uttar Pradesh state government to "unconditionally stop" all construction activity in Ayodhya before the court decides whether a Hindu temple can be built on disputed land.

The country's highest court said it expected the state government to talk to the parties concerned and report by today whether there was an agreement to stop all work.

In Ayodhya, Hindu militants, joined by saffron-clad priests, continued construction work for the 14th consecutive day, ignoring both the court order and armed paramilitary troops. The Hindus are attempting to build a temple on the site of a 16th Century Babri mosque in the north of India.

The Supreme Court has in effect granted the ruling Congress party a temporary reprieve from deciding whether to dismiss the Hindu revivalist Bharatiya Janata Party (BJP) state government. The BJP had allowed Hindu militants to defy a court order prohibiting construction on the site.

● Five stock brokers arrested in India's securities scandal, were released yesterday on bail, writes R C Murthy in Bombay. A member of India's Planning Commission resigned yesterday over his reported investments in a company linked to the scandal.

Fujisankei ousts chairman

Bad blood flows after Japanese media coup d'etat

By Gordon Cramb in Tokyo

FUJISANKEI, one of Japan's biggest media groups, yesterday ousted its chairman, provoking the unusual spectacle of a Japanese boardroom row being conducted in public as well as a mutiny in the deeply conservative empire.

The departure of Mr Hiroaki Shikanai, 47, was described variously yesterday by Mr Shigeaki Hazama, president of Sankei Shimbun, the 2m circulation daily which is a main part of the group, as a "duel", an act of "self-catharsis" and "house-cleaning for Sankei". Mr Shikanai, a banker before he became chairman just two years ago, was given the job after marrying into the founding family.

Mr Shikanai, who was first ousted from Sankei Shimbun and then resigned his remaining group posts, at a press conference condemned the decision by the newspaper's directors as "illegal because it was unilaterally taken without any specific reason". While saying he was willing to meet the group board to "avoid further confusion and turmoil", he added that he was contemplating legal action.

Mr Shikanai owns key minority shareholdings in various parts of the interlocking, privately-owned organisation, which also controls the Fuji television network, a Tokyo radio station, and Pony Canyon, a music and video cassette supplier which owned a quarter of Mr Richard Branson's Virgin Music before he sold the division to Thorn EMI.

The fact that these holdings did not protect him signals the carefully concerted nature of the putsch by fellow directors. Their troubles may not now be over, though – Mr Shikanai is suspected to have been stakebuilding in recent months by buying shares from family members. For example, his 6.8 per cent officially registered holding in Nippon Broadcasting, the radio station, is regarded by some to be on the low side. Yesterday he said only he would "explore ways to develop and promote the group".

His ousting came a month after Japan's gaudy popular press began chronicling claims of his high-handedness – allegedly demoting those who displeased him and demanding that his photograph in an in-house publication be made larger. Yesterday such papers were describing him as a "dictator" who "rode the company like a souped-up trail bike".

However racy, his management style had no apparent ill effect on the group's trading performance. Fujisankei does not publish profit figures, but sales have been on a steadily rising trend and were up 8.7 per cent in 1991.

At the heart of the affair, although not made explicit by Fujisankei directors yesterday, appear instead to be payments totalling Y1.7bn ($13.6m) which group companies made as a posthumous retirement allowance to Mr Nobutaka Shikanai, his father-in-law, who died in October 1990. (Mr Shikanai senior had adopted the younger man on his marriage and the death of his own eldest son, and allowed him to take

Chairman Shikanai allegedly demoted those who displeased him and demanded that his photograph in one of the group's in-house publications must be made larger

the family name before succeeding him as chairman.) In response to observations that he would himself benefit from such payments as an inheritance, Mr Shikanai insisted that the decision had not been his personally, had been discussed within the group, and was in accordance with its rules. He was outraged that he had been "fired as if involved in corruption".

While not referring directly to the payments, Mr Hazama said it was "inexcusable for anyone to use a corporation as if it is his own personal property". He added: "A newspaperman is presumed to behave with special responsibility vis-à-vis society. In this connection, Shikanai lacks the qualifications to represent a newspaper." Media professionals ascribed the upheaval to Mr Shikanai's status as an outsider – his previous career was with Industrial Bank of Japan. Professor Akihiko Haruhara of the journalism school at Tokyo's Jochi University said: "The problem for the group is that a man who has nothing to do with journalism was placed in the top position."

But back on the outside, Mr Shikanai, unless he is persuaded to part with his stake of 12.6 per cent or more in Sankei Shimbun, may still be in a position to cause headaches for the board.

Asean urges caution in Spratlys row

By Victor Mallet in Manila

THE SIX members of the Association of South East Nations yesterday sought to ease tensions over the disputed Spratly islands in the South China Sea by urging the countries involved to exercise restraint.

In a special declaration at the end of a two-day meeting in Manila, the foreign ministers of Asean – grouping Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand – emphasised the need to resolve arguments over sovereignty and jurisdiction "by peaceful means, without resort to force".

They suggested the establishment of "a code of international conduct over the South China Sea" to be based on the principles of their regional Treaty of Amity and Co-operation, and resolved to explore the possibility of collaborating on maritime navigation, pollution control and anti-piracy operations in the area.

The dispute over the Spratlys came to a head earlier this year when China reaffirmed its claim to the entire archipelago and granted an oil exploration licence to a US company in a zone also claimed by Vietnam. Asked whether Asean regarded China as a bully, Mr Raul Manglapus, foreign minister of the Philippines, replied: "We have said China has its own historical claims ... but we have never said it's a bully."

A decision to set aside the issue of sovereignty over the Spratlys did not mean that the countries concerned could not peacefully continue or even reinforce their presence on the islands, he said.

For the first time since it was founded 25 years ago in the shadow of the spread of communism in Indochina, Asean explicitly put the emphasis on security concerns.

In another sign of the changing international climate, Vietnam and Laos were yesterday granted observer status at future Asean meetings.

Later this week, the Asean ministers will meet their counterparts from the so-called "dialogue partners" – the US, Japan, the EC, Australia, New Zealand, Canada and South Korea. Asean and the EC are hoping to negotiate a new co-operation agreement, but Asean states are balking at EC demands on human rights and the environment.

Blood cell hope in Aids treatment

By Clive Cookson in Amsterdam

SCIENTISTS studying long-term survivors of HIV, the virus that causes Aids, have discovered a type of immune cell which enables people to remain healthy for more than 10 years after infection.

Dr Jay Levy, of the University of California, San Francisco, described the discovery to the world Aids conference in Amsterdam yesterday. He predicted that it would soon lead to new ways of treating HIV.

The vital finding is that a white blood cell, called CD8, seems to determine how long people with HIV stay healthy. Its role is to attack other infected cells – and either kill them or suppress the virus.

In most people with HIV the CD8 cells lose their activity after a while. Then the CD4 cells – the immune cells whose loss is normally used to define the progress of the disease – disappear and the patients start to suffer Aids symptoms.

"In long-term survivors, CD8 activity remains strong," Dr Levy said. His researchers are purifying a protein, known as a cytokine, which CD8 cells secrete to stop HIV replicating in other immune cells. They expect to have isolated and identified it within six months.

Dr Levy mentioned three ways in which scientists hope to use CD8: to grow CD8 cells in the laboratory and inject them into patients; to make the cytokine protein and administer it directly as an anti-HIV drug; and to find ways to maintain the activity of the patient's own CD8 cells.

The San Francisco discovery was the most striking example of the trend to examine the minority of people who survive HIV for many years without falling ill.

Other scientists reported yesterday that the biological nature of HIV itself is different in asymptomatic people and patients with Aids. In the latter, the virus mutates rapidly into more damaging genetic forms. In the former, HIV is tightly controlled by the patient's immune system.

New Aids drug trials, page 14

Indonesia tries to reduce chaos on roads

By William Keeling in Jakarta

INDONESIA has passed a law implementing stringent traffic regulations. With apparent disregard for Indonesia's per capita income – about Rupiah1.2m ($600) a year – even the smallest traffic offence could cost motorists a year's salary or several months in jail.

Jakarta abounds with anarchic driving: leave the smallest gap between two speeding cars and a third will nose its way in; motor cyclists, often without helmets, career down dual carriage ways in the wrong direction to beat the traffic.

When the new regulations come into force in September not wearing a motorcycle helmet will carry a fine of up to Rp1m; jumping a red light, up to Rp2m; and an expired licence could send the driver to jail for six months or a lead to a fine of Rp6m.

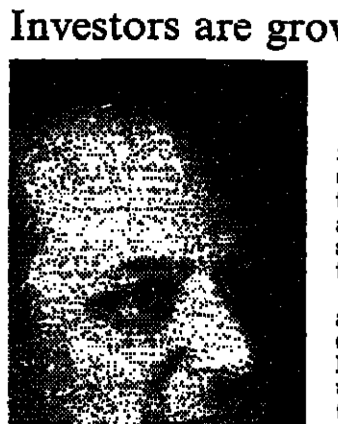
Motorists say the new regulations are unjustly harsh. Many cars, including most of Jakarta's taxis, lack seat belts but not wearing one could cost you Rp3m.

The new decree has led to protests from university students and highlighted the weakness of Indonesia's law-making process. Mr Ismail Saleh, the minister of justice, has said the proposals, drawn up by civil servants, were not passed through his office, breaking usual procedure.

Advocates of the bill point out that anything which reduces road deaths – an estimated 10,000 people are killed in Indonesia each year in traffic accidents – should be welcomed.

Sind crackdown holds key to Sharif's reforms

Investors are growing nervous about Pakistan's immediate political future, writes Farhan Bokhari



Nawaz Sharif: reports of tensions over the army's demand for greater powers

THE government of Pakistan's Prime Minister Nawaz Sharif is coming under growing pressure over its handling of violence in the southern province of Sind and as a result of a damaging split within the ruling coalition.

Though it has acquiesced to army requests for wider powers in the crackdown on lawlessness in Sind, that seems unlikely to end political uncertainty.

The People's Democratic Alliance (PDA), the main opposition party led by Ms Benazir Bhutto, has stepped up pressure by threatening to resign seats on national and provincial assemblies in an attempt to force elections.

Some businessmen fear investment could be slowed because of nervousness at the outcome of events in Sind, which is seen as crucial to the government's future. This could put at risk the radical economic reform programme introduced by Mr Sharif. The government insists, however, that reforms and investment are on track.

Yesterday troops stepped up raids in Sind during a visit to the province by Mr Sharif, in a search for suspects and illegal arms. They are operating under broader powers of search and arrest, granted last Sunday, in a drive against highway robberies and kidnappings for ransom. The powers allow the military to carry out independent operations without assistance from policemen.

This follow weeks of reported deterioration in civil-military relations through the army's demand for wider powers. "They [the army] are concerned that wide-ranging corruption in the provincial police and administration is making it difficult for them to arrest criminals," a senior official said.

Last month, a key government ally in Sind, the MQM (Mohajir Qaumi Movement), a regional Moslem party and part of the ruling coalition, broke ranks from the ruling party after torture cells allegedly run by the MQM were found in an army crackdown.

Twelve MQM members resigned in protest from the 217-seat National Assembly, and 23 from the 109-seat provincial assembly. Though Mr Sharif's ruling coalition, the IDA (Islamic Democratic Alliance) still commands a majority in the National Assembly, the provincial Sind government of chief minister Muzaffar Hussain Shah has become vulnerable.

Mr Shah turned down an opposition demand to seek a fresh vote of confidence and challenged the PDA to initiate a vote of no confidence if it wants to force him out. The opposition has set a deadline of July 30 for Mr Shah to prove his majority.

At the national level, too, there have been signs of a worsening in relations between government and opposition. The PDA has said its members would resign from assemblies after consulting smaller parties outside the government, in protest against the ruling party.

The resignations are being considered as one option to force President Ghulam Ishaq Khan to dissolve the assemblies and hold elections.

Mr Sharif responded by saying he would call by-elections to fill the vacant seats.

Both sides are aware that any action potentially leading to a dissolution of parliament carries the risk of inviting martial law, in a country which has been run by military dictators for more than half its 45-year history.

Some government officials are concerned that the government is getting an image of instability. "Even if in reality we are firmly in place, we are seen as weak and under pressure. That's not a good sign," said one official.

But precipitate action to bring down the government seems unlikely: the military wants to stay out of politics and senior army officers have repeatedly given assurances that they have no intention to introduce martial law.

Government officials also discount the possibility of presidential action to dissolve parliament, on the grounds that Mr Khan and Mr Sharif share common views on politics.

However the uncertainty appears to be taking its toll. "Investors are becoming nervous over the future course of politics and want to wait and see the outcome of the latest round over Sind," said one businessman. He added: "We need some sense of stability to know that economic liberalisation introduced during the past two years is going to remain intact."

Colombian drug baron in jail battle

By Sarita Kendall in Bogotá

MR PABLO Escobar, chief of Colombia's Medellín cocaine cartel, was reported to be entrenched in a tunnel in his jail yesterday after resisting attempts to transfer him. The army is battling to take control of the prison.

Mr Escobar and 13 fellow-prisoners used weapons taken from guards to seize hostages – including Mr Eduardo Mendoza, deputy justice minister, and Colonel Hernando Navas, director-general of prisons – on Tuesday night. Troops were sent in and the hostages released after a shoot-out.

Reports say at least two people have been killed and several injured.

President César Gaviria called an all-night national security council session late on Tuesday and postponed his trip to the Ibero-American summit in Madrid.

A local radio station reported that Mr Escobar had said on tape he was prepared to resist to the last, rather than be transferred. His nephew confirmed that Mr Escobar and others were in a tunnel under the jail with enough food to survive for some time.

The government decided to transfer Mr Escobar following a series of kidnappings and deaths of people linked to the Medellín cartel after they had visited him in jail.

The killings were widely attributed to Mr Escobar's desire to consolidate his power over cartel business.

A government communiqué said that "recognised criminals" had been into the jail and that Mr Escobar continued "to be involved in committing crimes directly and personally from inside the jail," with the complicity of prison guards.

Mr Escobar's refusal to leave the jail coincides with rumours that competing trafficking gangs were planning an attack on him. He paid for the luxurious jail's construction before surrendering to the government just over a year ago, in exchange for leniency.

AP adds from Bogotá: Mr Escobar was the architect of what became the world's largest cocaine cartel; Forbes magazine once listed him as one of the world's wealthiest men.

He and his lieutenants have not been tried, as Colombia's justice system works slowly, but the government has accused Mr Escobar of masterminding hundreds of terrorist acts, including the 1986 assassination of Mr Guillermo Cano, publisher of a Colombian newspaper that campaigned against the drugs trade.

Rebels back Lima strike call with bomb attacks

THE Sendero Luminoso guerrilla group enforced a strike call yesterday with a wave of bomb attacks, injuring at least six children at a Lima school and blasting a television station, Reuter reports from Lima.

For the seventh consecutive day the capital was rocked by explosions. Heavily armed troops patrolled the streets to protect people going to work.

But large queues formed on the outskirts of the capital as private buses stayed off the roads for fear of reprisals by the Shining Path guerrilla force.

The guerrillas called a general strike for yesterday and today against President Alberto Fujimori's government and warned they would take up arms against anyone who attempted to get to work.

Mexican current account worsens

By Damian Fraser in Mexico City

MEXICO'S current account deficit climbed to \$4.4bn (£2.3bn) in the first quarter, the highest in 20 years and 143 per cent more than in the same period last year, according to the Bank of Mexico.

Unless import growth falls sharply over the year the government will miss its official target of \$13bn for 1992 by some way. Mr Rogelio Ramirez de la O, of the consultancy Ecanal, believes the deficit for the year will be \$20bn, or 6.4 per cent of estimated GDP.

The trade deficit during the first quarter was \$4bn, 127 per cent higher than in the same period in 1991, reflecting a growth of just 0.6 per cent in exports and a 27.7 per cent increase in imports. However, manufacturing exports grew by 16.8 per cent, an indication of the continued strength of the industrial sector.

Most of the increase in imports was due to capital goods purchased by Mexican companies, which the government has explained as part of the necessary restructuring of the Mexican economy.

There are signs that the rate of increase in the current account deficit is slowing. The deficit in the first quarter was 5.3 per cent higher than that in the final period of 1991.

This year's first-quarter deficit was easily covered by a surplus in the capital account of \$5.157m, of which 27.5 per cent was direct physical investment and the remainder portfolio investment.

Since then the stock market has weakened and interest rates risen, as foreigners have sold Mexican securities. This is likely to reduce the capital account surplus in subsequent quarters.

● President Carlos Salinas de Gortari of Mexico said yesterday his country aspired to a bigger role on the world stage, and full membership of the Organisation for Economic Co-operation and Development (OECD) would help it achieve that, Reuter adds from Paris.

Canada's summer is not all fun

Several issues in the wrangle over Quebec's future will be brought into focus, writes Bernard Simon

AUGUST, when Canadians usually try to confine their thoughts to baseball, boating and barbecues, is shaping up this year as a crucial period in national politics.

Several issues in the endless wrangle over Quebec's future place in Canada will be brought into sharper focus over the next few weeks. Mr Robert Bourassa, the Francophone province's premier, must decide soon whether to proceed with a national-unity referendum scheduled for late October and, if so, what question he will pose.

Mr Bourassa, however, cannot make this decision without greater clarity about the willingness of the nine English-speaking provinces to compromise on a package of constitutional proposals which they presented to Quebec earlier this month. Some key parts of the package have already stirred up a hornet's nest there.

The political activity is most intense in Ottawa, where Prime Minister Brian Mulroney and Constitutional Affairs Minister Joe Clark are working feverishly to bridge the gap between English Canada's offer and Quebec's demands.

As it stands, the offer would bring far-reaching changes to the way Canada is governed.

The Senate, the upper chamber of parliament, would be changed from an appointed body to an elected one, with an equal number of representatives from each province (plus a handful from the Northwest Territories and Yukon) and with limited powers of veto.

The federal government would be considerably weakened by the transfer of various powers to provincial jurisdiction, notably those on job training, culture and immigration. Aboriginal people would gain a right to self-government, the extent of which would probably be left to the courts to define.

Quebec, which has boycotted the national-unity talks since the collapse of the Meech Lake accord two years ago, is unhappy about several aspects of what is now being dubbed the Pearson accord (after the building in Ottawa where it was crafted).

The province contends that some parts, notably the constitutional recognition of the Francophone province as a "distinct society" and the powers over immigration, are weaker than the equivalent sections of the Meech Lake agreement.

Quebec sees itself not simply as one of 10 provinces, but as the home of one of Canada's two founding peoples. It thus has severe misgivings about a Senate where probably no more than eight out of 84 members would have French as their mother tongue. Although this would be offset by greater representation for Quebec in an enlarged House of Commons, Quebecois fear that the upper house of parliament would effectively cease to be bilingual.

Mr Mulroney and Mr Clark are trying to find sufficient common ground between Mr Bourassa and his English-speaking counterparts to justify a meeting of all provincial premiers.

Among the compromise proposals being toyed with is one which would guarantee some Senate seats for French-speaking minorities outside Quebec.

Ideally, the meeting – which could take place as early as next week – would be an occasion for everyone to put their signatures to a new constitution.

Mr Bourassa could then return in triumph to Quebec City and call a referendum, confident that he had gained enough to spike the guns of the Quebec separatists.

But such a happy outcome is by no means a certainty. Among the other scenarios that could unfold are an unravelling of the package agreed by the nine provinces, an effort by the federal government to impose its own set of compromise proposals, and a delay in the Quebec referendum.

Even if an agreement is reached soon, one wild card is the possibility of opposition to the new deal outside Quebec. The Meech Lake accord was signed by all the premiers in 1987, only to fall apart as ratification by provincial legislatures became bogged down in growing public doubts.

This time round the provinces will not only need to ratify a deal, but some have also committed themselves to public hearings and referendums.

Serious reservations are already being expressed about the offer to Quebec, with critics labelling it as an unworkable agreement born of desperation rather than a recipe for effective government.

Trade unions fear that the transfer of job training to the provinces could imperil the national unemployment insurance scheme.

Even Mr Michael Wilson, industry and trade minister, who is one of the most senior members of the Mulroney cabinet, publicly voiced his displeasure over what he considers the wishy-washy mechanism to bring down pervasive inter-provincial trade barriers.

The question is whether Canadians are now so fed up with the interminable constitutional merry-go-round that they will accept virtually any agreement signed by the prime minister and all 10 premiers. Or can they still be persuaded that no agreement is better than a bad one?

There is little doubt, however, that the longer the debate goes on, the greater the threat to Canada's long-term political stability. If an agreement cannot be reached and ratified soon, attitudes in all parts of the country are likely to harden as recriminations begin.

Canada's latest identity crisis would not only be prolonged, but deepened.

Police halt peasants marching on Guatemala City yesterday to demand the return of land they say was taken from them illegally

Investment in Venezuela still strong

FOREIGN investment in Venezuela has remained strong this year, according to government estimates, despite continuing political problems following February's unsuccessful coup attempt, writes Joe Mann in Caracas.

The Ministry of Development estimated that direct foreign investment for the first half of this year reached about \$550m, sharply higher than in the same period last year.

New investment was concentrated in industry, with a big share going to petrochemicals. Investments included fresh capital from overseas, reinvestment of retained earnings by foreign companies, and debt-equity swaps.

US group plans TV station in Moscow

By Alan Friedman in New York

TURNER Broadcasting System (TBS), the US cable television group that owns CNN, is forming a joint venture in Russia to seek what it claims will be the first independent television station in Moscow.

A memorandum of understanding has been signed by TBS and the Moscow Independent Broadcasting Company, (MIBC), a private Russian company.

Mr Sidney Pike, president of CNN International's special projects division, is in Moscow to represent Turner interests in the 50-50 project, which will be broadcast free over the air. Revenues will come from advertising.

Mr Pike said yesterday the plan depended on obtaining local government approval for a broadcasting licence to use Channel 6, an existing VHF frequency. Russian authorities have indicated they plan to award the licence within the next four months, Mr Pike added.

Under an interim licence MIBC and Turner have been broadcasting two hours of CNN International, translated into Russian, every day on Channel 6 since May. Mr Pike said the joint venture channel would include CNN news, classic films, sport, entertainment and children's programmes, broadcast mostly in Russian.

Channel 6 is the last VHF frequency available in Moscow. A formal contest will be held to decide who should be given the licence.

● Siemens, the German engineering group, and Russian partners are jointly developing plans to equip nuclear reactors in the former Soviet bloc with western monitoring technology for added safety, Reuter reports from Bonn.

The aim is to improve the safety of 1,000-megawatt VVER pressurised water reactors, the most modern reactors produced in the former Soviet Union. The technology would be based on existing Russian systems and advances under way in Russia and be enriched with Siemens knowhow.

Iranian banks delay trade payments

By Scheherazade Daneshkhu

IRANIAN banks, which usually have an exemplary payments record, have been delaying payments on letters of credit for the past three weeks.

The delays come at a bad time for Iran, as the UK Export Credits Guarantee Department continues negotiations with the Iranian government aimed at establishing medium-term cover for Iran.

The delays result from the loosening of controls by the Bank Markazi, the central bank, which wants to remove itself from the commercial arena. Bank Markazi used to open all letters of credit but it has now transferred this to commercial banks.

"Since Bank Markazi distanced itself from the commercial banks, they have not handled their foreign exchange allocations and cash flows as well as they might," said a British banker, whose bank undertakes Iranian risk. He said Bank Markazi had clamped down on the numbers of letters of credit being issued.

Some of the Iranian banks have taken out interbank loans to ease the problem and Bank Markazi is said to have injected \$400m into the banking system about 10 days ago.

Both Iranian and British banks have put the delays down to temporary cash flow problems. One Iranian banker claimed the Iranian commercial banks, which are government-owned and include Bank Melli, Bank Tedjarat and Bank Saderat, had made incorrect income calculations.

He said funds had been used to discount one year usance letters of credit without keeping back enough foreign exchange for letters of credit falling due from a year ago.

"These are technical delays which will exist for a few weeks but it is a temporary situation and business is as usual," said another British bank. Iranian banks are paying interest to letters of credit claimants for the delay.

The banks have also come under pressure because Bank Markazi restricted the supply of hard currency in mid-May, leaving the banks to settle outstanding debt by going to the open market. The shortage of foreign exchange stems in part from over-estimates of oil income. The price of oil was expected to remain high after the Gulf war. This year for example, Iran may find itself earning only \$14bn in oil revenues instead of an estimated \$16.6bn.

Downpayments on projects drawn up in the five-year development plan have increased the strain on resources. The government is to submit a report soon to the majlis (parliament) when it hopes to say that significant progress has been made on projects in the plan.

The weakness of the US dollar and the fact that Iran's main trading partners are Japan and Germany rather than the US have made the import bill more expensive. In addition, Iran has increased its defence expenditure for which it will have had to use hard currency rather than any form of oil barter arrangement.

Western banks undertaking Iranian risk have been told the delays will be over by the end of August.

Kiev gripped in Russian stranglehold

Ukraine's economy will pay a heavy price for defying Moscow, writes Chrystia Freeland

TRADE between Ukraine and Russia, – 72 per cent of trade within the old Soviet Union – is grinding to a halt as the political link which sustained it breaks down.

For troubled Ukrainian enterprise directors, the tale told by Mr Viktor Antonov, Ukrainian minister for conversion and the defence industry, is distressingly familiar. He was asked this spring to produce 10 T-8 tanks for the Ukrainian Ministry of Defence but found that Ukraine's mighty military industrial complex, which Khrushchev once bragged was capable of "churning out rockets like sausages," was unable to fill the modest order because Russian enterprises would not supply the necessary parts. This was in spite of the formal co-operation agreement signed in April by Mr Antonov and his Russian counterpart.

The situation is likely to get worse. Like the Comecon countries which shared Ukraine's dependence on heavily-subsidised Russian oil, Ukraine could pay a heavy economic price for its determination to break out of the Russian orbit.

According to Mr Evhen Baramikov, chief of the inter-republican trade department in the Ukrainian Ministry of Economy, Russian experts have warned Ukraine that the moment Ukraine introduces a separate currency Russia will demand world prices for oil. This threat underscores Ukraine's structural vulnerability in its trade with Russia. "They can last a year without our food, but Russia can halt Ukrainian industry in a day," says Mr Baramikov. "We will eat our sugar while freezing in the dark."

Russia – Ukraine trade

	Planned	Actual	Delivered
	1,000 tonnes		
Crude oil	10,000	7,470.0	74.7%
Coal	2,780	1,381.0	49.7%
including:			
Coking coal	2,500	495.0	19.8%
Petrol	500	170.5	34.1%
Lumber	2,145	314.2	14.7%
Black metals	3,375	464.8	13.8%
Steel tubes	976	345.4	35.4%

First quarter 1992 figures

Mr Baramikov said Ukraine was paying Rbs2,840 per tonne for Russian crude supplied according to inter-governmental agreements. If Ukraine remained in the rouble zone, Russia had offered to continue selling crude at between Rbs2,820 and Rbs3,500 per tonne, well below the world rate.

However, that enticement to remain in the Russian economic sphere is less attractive than it might seem because even today Russian oil sold to Ukraine at the subsidised rate covers barely half of the requirements of Ukrainian enterprises. Ukraine traditionally purchased 52m tonnes of oil from Russia each year. This year that has been cut to 40m tonnes and in the first quarter of 1992 Russia supplied Ukraine with only 7.4m tonnes at subsidised rates.

Ukraine is suffering even more extreme shortages of the coal, gasoline and lumber normally supplied by Russia. In the first three months of 1992, Ukraine received only 14.7 per cent of the lumber and 19.8 per cent of the coking coal Russia had pledged to deliver.The shortage of Russian fuel has a knock-on effect: in the first quarter of this year, Ukraine supplied Russia with only 13.8 per cent of the black metal and 35.4 per cent of the tubing it had agreed to provide.

The mounting political hostility between Ukraine and Russia is one explanation for the collapse in trade. Mr Baramikov describes negotiations with Russia as acrimonious and emotional encounters in which "the Russians try to turn the thumb-screws on us".

But trade is also jeopardised by the economic limbo in which the former Soviet Union is trapped. "The old system no longer works," Mr Baramikov says, "but there is no new mechanism yet."

Enterprises were responsible under the old system to central planners, not to each other. The planners provided raw material, dictated how much they should produce and disposed of their products. Today, the planners still set guidelines – they are the men who draft the huge inter-state trade deals – but, as the non-fulfilment of the agreements demonstrates, their word is no longer law.

The hybrid system in operation today has bred some costly distortions. For example, some Ukrainian enterprises have fulfilled or over-fulfilled their obligations to Russian customers without being paid because they know their national bank will make up any shortfall. Hence Ukrainian factories' shipped 2¼ times the eggs and twice the processed foods which Kiev had agreed to supply to Russia.

The Ukrainian national bank hopes to put a stop to this costly practice by abolishing the old payments system, but Ukrainian experts claim that Ukrainian enterprises have amassed debt of up to a thousand billion roubles owed by Russian enterprises which seem unlikely to repay it.

To avoid these sorts of loopholes Mr Baramikov thinks that "we should open our borders and not block our enterprises from trading directly." But he is worried that "over 70 years Ukraine and Russia have created a structure of mutual dependency. Neither we nor they are ready to immediately switch to the market."

NEWS IN BRIEF

Japan to import Mexican Nissans

By John Griffiths

NISSAN's Mexican subsidiary is to export cars to Japan from July next year from a new assembly plant in the central state of Aguascalientes. Initially Nissan Mexicana will send 6,000 to 8,000 units a year of its low-cost Tsuru model but intends to increase this to 40,000 a year before the end of the decade. The export plan forms part of a three-year investment programme by Nissan in Mexico totalling nearly \$1.2bn.

Nissan Mexicana is owned 97.8 per cent by Nissan, with the remainder held by Marubeni Corporation.

Its announcement comes amid rapid expansion of both Mexico's car market and production. According to Dr Rolf Schlettwein, executive vice-president of the Mexican Investment Board, the market has been growing at 20 per cent plus a year over the past five years and is expected to grow by a further 12 to 15 per cent in each of the next six years. The country is producing about 1m vehicles a year and is projecting that by 2000 this will have more than doubled, with about one third being exported to the US.

The Nissan investment forms part of an ambitious expansion programme in Mexico by several vehicle makers which totals more than \$5bn. Mexican inward investment officials are touring Europe seeking to generate interest among Europe's vehicle component makers in setting up operations in Mexico, or expanding existing activities there.

The new Nissan plant is to go on stream in November and is expected to reach full capacity of between 100,000 and 120,000 units before the end of 1994.

Nike loses Olympic race

Nike International, the US sporting clothes and footwear group, yesterday lost a race to have a ban on the sale and marketing of its clothing in Spain lifted before the start of the Olympic Games in Barcelona on Saturday, writes Peter Bruce in Madrid.

Spain's constitutional court rejected a second appeal by Nike in favour of claims by a Catalan company that it owns the Nike trademark in Spain. The decision sets the stage for a potentially embarrassing inaugural ceremony as it means the Spanish claimant could ask police to stop the US athletic team, sponsored by Nike, entering the Olympic stadium wearing the Nike (US) logo.

Koreans agree steel curbs

South Korean steel makers have agreed to voluntary restraints on exports of nine steel items to the US for one year from April 1, 1992, the Korea Steel Manufacturers Association said yesterday, AP-DJ reports from Seoul. The items include coated sheets, pipe and tubes, nails and stainless products.

The move follows complaints by US steel makers against Korean steel exporters for selling below "fair" prices in the US, and is seen as an attempt to stave off dumping charges. Six other Korean steel products are under dumping investigation in the US.

Patent challenge in Japan

Nine Japanese clothing makers, including Toray Industries have filed objections to Japan's Patent Office against a claim by Ohio-based Richman Brothers for a patent on computer-aided clothing-making methods, Reuter reports from Tokyo.

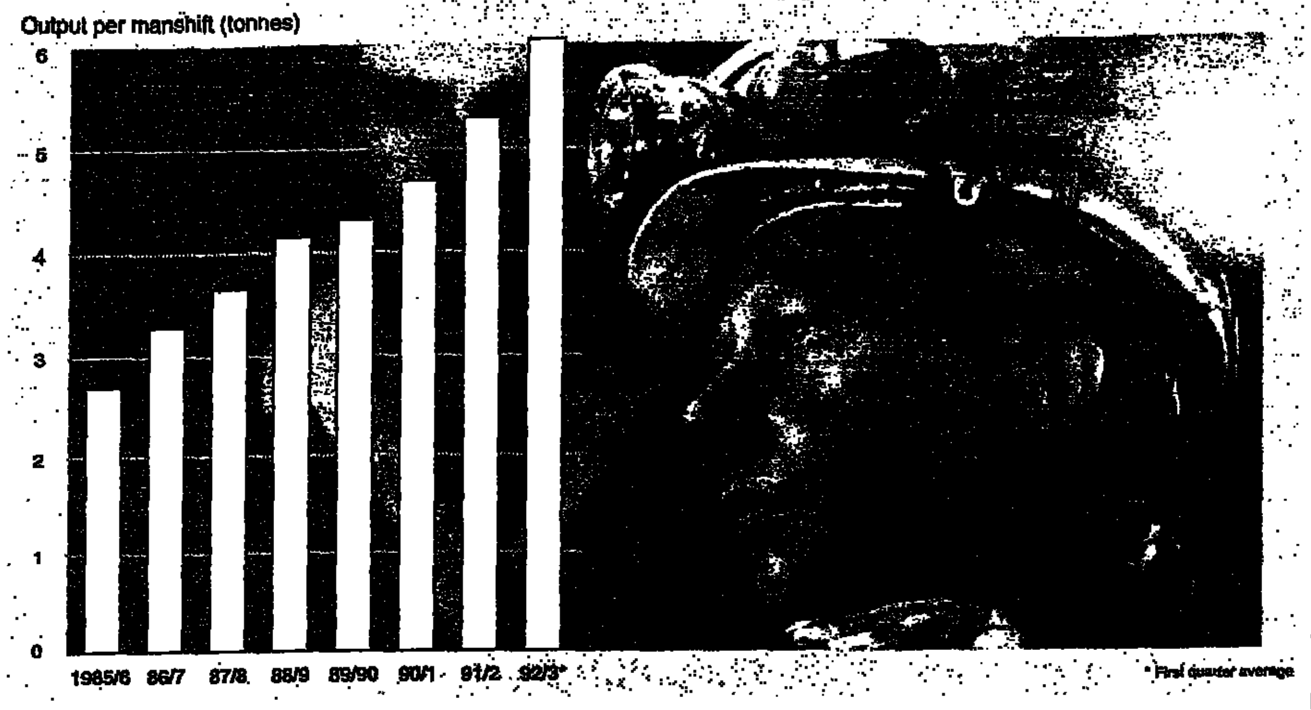
The application by Richman Brothers, owned by Woolworth Corp covers computer-aided measure-taking for the manufacture of clothing. Toray said the contents of the application were so wide they would damage the Japanese clothing industry.

The manufacturing methods mentioned in the application had been widely used in Japan for more than 10 years, Toray said.

Record £170m profit at British Coal

By Juliet Sychrava

Miners' rise in productivity



BRITISH COAL yesterday reported a overall profit of £170m for the year ending March 1992, the biggest since the company was nationalised in 1947.

Dramatic improvements in productivity and cost cuts boosted the operating profit by 51 per cent. The company also paid nearly 35 per cent less in interest on debt.

Fifteen pits closed during the year, with the loss of about 16,000 jobs, leaving a workforce of 53,000 of which around 41,000 are miners.

The record profit was sharply higher than last year's figure of £78m, British Coal's first profit in 13 years, which followed the restructuring of the company by the government and the beginning of a new, more efficient regime.

It was overshadowed, however, by fears that British Coal, which is due to be privatised in the next few years, will never again be able to sell as much coal at such a high price.

Mr Ken Moses, the company's joint deputy chairman, warned that British Coal's sales to the electricity industry could shrink to only 20m tonnes in the year to March 1994 from 65m tonnes today. This would happen if British Coal was unable to secure new contracts with the industry. Existing contracts, which give British Coal a favourable price, expire in March 1993.

Without the contracts, competing fuels, like gas and orimulsion, a bitumen-based fuel, could take a bigger share of the electricity market.

The outlook for the year to 1993 was for a smaller profit, Mr Neil Clarke, British Coal chairman said. Although the company will still earn the revenue from its contracts with the electricity industry, it expects to have to close pits during the second half. That is because the new contracts are expected to require only around 40m tonnes of coal in the first year, and less thereafter. When the new contracts were introduced, British Coal's profits would inevitably drop, Mr Clarke said.

In the year to March 1992, productivity rose by 13.1 per cent, and has risen another 14.6 per cent since then. Costs fell marginally in the deep mine business, though costs in open cast or surface mining, rose slightly. This was because in spite of cost containment, wages rose and the company had to cover the costs of mine closures.

After 1993, Mr Clarke said, British Coal's future depended on the contracts. But Mr Ken Moses said he did not accept the company would necessarily have to keep closing mines. It might be able to enlarge its contract with the generators, if it could get costs down.

Water sold off 'too cheaply'

By Bronwen Maddox

THE UK water companies privatisation, which raised £3.6bn in December 1989, short-changed the taxpayer mainly because it was carried out too fast, the Committee of Public Accounts said yesterday.

"There is no question that the companies were sold far too cheaply," said Mr Robert Sheldon, MP, chairman of the PAC, the select committee which scrutinises use of taxpayers' money. "The speed of the privatisation conveyor belt means they ended up being flogged like overripe oranges on a Saturday night".

The PAC report does not quantify the loss to the taxpayer, but points out the stock market value of the 10 water companies has steadily been higher than the flotation value of £5.2bn. Their combined value is now £9.3bn, a rise of 79 per cent.

In future, it recommends selling tranches of a large company in phases and selling small companies individually, not in a pack.

The report also criticises the level of fees paid to the army of merchant banks and consultants by the Department of the Environment, in charge of the sale.

Evidence given to the committee says that £8.4m paid to Deloittes Haskin & Sells, accountants, and Binnie and Partners, engineering consultants, had soared from an estimate of £3m. "We are concerned that additional payments were made where there was not a clear obligation to do so."

In evidence to the committee, the DoE said payments of a £2m completion fees to Schroders, the merchant bank, and a completion bonus of £200,000 to Dewe Rogerson, the public relations company, were justified by the success of the flotation.

In future, the responsibility for selling companies should be split between government departments, concludes the PAC. The DoE's interest in raising money from the privatisation was at odds with its responsibilities to customers who paid water bills, it said.

Barclays seeks to halt $30m Maxwell suit in US

By Raymond Hughes, Law Courts Correspondent

BARCLAYS Bank is trying to stop the administrators of Maxwell Communication Corporation suing it in the US for $30m paid to it by MCC on November 26 1991, three weeks after the death of Mr Robert Maxwell.

The administrators, Touche Ross, claim that the payment was an unlawful preference and should be returned to MCC. They contend that the decision on where to sue for it is a matter for them.

In the High Court yesterday Barclays argued that any claim to the money – part repayment of an overdraft facility granted to MCC – should be made in the English court.

The bank sought an injunction restraining the administrators from suing for the return of the money outside the UK and from making any claim for it under the US bankruptcy code. Last December, MCC filed for protection from creditors under Chapter 11 of US bankruptcy law.

Mr Nicholas Merriman QC, for Barclays, said the administrators were using the extra-territorial jurisdiction of the US "in order to circumvent what would otherwise be an unsuccessful claim under English law".

EC welfare ruling fears dismissed by government

By Catherine Milton, Labour Staff

FEARS that thousands of EC citizens living outside Britain will add millions to the bill for UK welfare benefits are groundless, the British government said yesterday.

The scare followed a European Court of Justice ruling that the UK government was wrong to deny Family Credit, which is designed to supplement low incomes, to the wife of a civil servant who worked in Northern Ireland but lived in the Irish Republic.

The court held the UK's arguments would impede freedom of movement for workers – one of the EC's principal long-term goals.

The ruling means that people who travel to work in Britain leaving dependents behind in their home states will be able to claim Family Credit. The ruling is not believed to apply to other benefits.

The maximum permitted income for a claim is £11,180. This would rule out most people from other EC states who work in the UK. The social security department said it believed UK nationals working in other EC states will not enjoy reciprocal benefits.

● The UK government intends to place further obstacles in the way of EC legislation on social and employment matters.

Mrs Gillian Shephard, UK employment minister who currently chairs the EC's council of labour ministers, told UNICE, the European employers body: "I shall be conducting a thorough review of EC legislation in this area. Too often there have been proposals for Community legislation on matters which are more appropriately determined by individual member states".

Meanwhile, the UK Trades Union Congress has conceded that the high water mark of EC social legislation has passed. "The resolve of the eleven member states [minus the UK] to develop a strong social policy has temporarily weakened in the face of economic difficulties," it said.

Britain in brief

Challenge to decision on Nadir

The Serious Fraud Office began a High Court challenge against a judge's decision to throw out 46 charges of theft totalling £119.5m against Mr Asil Nadir, former chairman of Polly Peck International.

The trial judge had dismissed the charges relating to the transfer of money from PPI to Unipac, a subsidiary company, saying Mr Nadir had authority for these transactions. Counsel for the SFO, said the judge had made an error of law which amounted to "a fraudster's charter".

Ulster talks resume

Talks between Northern Ireland political parties and the Irish and British governments resumed in Belfast with Sir Ninian Stephen, the independent chairman, denouncing apparent leaks to the Irish press of positions outlined in recent meetings.

He said the leaks were "not only inaccurate and misleading but also put the whole talks process in jeopardy".

Recruitment review urged

Employment minister, Mr Patrick McLoughlin, urged employers to review recruitment and promotion policies regularly to ensure that they are not discriminating against any sector.

This follows a report on the experiences of young black people in the labour market. It shows that although a higher proportion of Asian and black young people continue in education or vocational training after the age of 16 than their white peers, they have more difficulty in getting a job.

TUC invitation to CBI chief

The Trades Union Congress has for the first time invited the head of the Confederation of British Industry to address its annual congress, this September.

Mr Howard Davies, the new director general of the CBI, has accepted the invitation. The TUC has been increasingly marginalised in recent years but hopes, through the invitation, to underline its embrace of "social partnership".

Timeshare licence revoked

The Office of Fair Trading revoked the consumer credit licences of six companies associated with Club Riviera, one of the UK's leading timeshare groups.

It followed complaints which included "allegations that the companies have induced customers to purchase timeshare accommodation by making false or misleading statements", according to Sir Bryan Carsberg, the OFT's director-general.

Union vote cut by Labour

Mr John Smith, leader of the opposition Labour party, won a victory at his first meeting of the party's National Executive Committee as it was decided unanimously to press ahead with plans to cut the trade unions' conference block vote from 90 to 70 per cent.

Welsh tourism suffers fall

The Welsh holiday industry suffered a 4 per cent fall in income last year, according to the Wales Tourist Board. A survey of hotels showed bed-occupancy averaging 37 per cent, at its lowest level for eight years.

The board says in its annual report that the outlook for the year is not good. Hotels geared to the business and conference trade were being hit hardest. Hotels in the highest tariff group also experienced the biggest cut in bookings.

PENSIONS FOR WOMEN: MARKETING PLOY OR MAJOR BREAKTHROUGH?

This weekend, the FT looks at flexible pensions: pensions designed specifically for women. Before you make a decision, get an expert opinion.

IN THIS SATURDAY'S

Weekend FT

LBC HAS THREE NEW FREQUENCIES

ABC1s listen 35% more frequently

25-54 yr olds listen 34% more frequently

Adults listen 12% more frequently

Source: JICRAR April-June 1992

Latest JICRAR weekly listening hours compared with last London-wide JICRAR survey (Oct-Dec1991)

That's how things are looking (or should we say sounding) at LBC these days.

More Londoners, 2 million a week now, are listening to more hours of LBC than ever before.

Proof positive that our listeners really listen.

It's what you'd expect of Europe's biggest commercial news station.

To find out more, call us on 071-973 1152.

LBC NEWS TALK 97.3 FM

MANAGEMENT: MARKETING AND ADVERTISING

A slender new look

The design industry has recut its cloth for leaner times, says Alice Rawsthorn

"THE WORST is probably over," says Mark Landini. "It would be an exaggeration to say that the design industry is already recovering from the recession, but there are signs that life is getting easier."

RSCG:Conran, the retail design consultancy where Landini is joint managing director, has, like the rest of the UK design industry, undergone a painful rationalisation over the past two years. Every area of marketing services has suffered during the recession, but few have been as badly affected as design.

The design market is still in the doldrums. There is fierce pressure on fees and intense competition for new business. But the cuts and company closures seem to be abating. Some consultancies, such as RSCG:Conran, now detect a slight improvement in prospects. Where does the design industry go from here? What is the long-term legacy of the recession? And how will it influence the future of the industry?

The most obvious change is the industry's size. The design business flourished in the 1980s when companies were able, and willing, to spend heavily on new corporate logos or lavish retail schemes. But when the economy weakened, design was one of the first budgets to be cut. The number of designers employed by the 100 largest consultancies has halved in the past two years, to 3,800 in 1991, according to Design Week magazine.

The recession has also affected the industry's culture. In the 1980s, design consultancies seemed bent on imitating advertising agencies, by adopting the same pyramidical structures and introducing similar functions such as account management and new business development. Most have since returned to the old model whereby they are run like architectural practices, with designers dealing directly with clients, rather than through intermediaries such as account managers.

Fitch, one of the most marketing-oriented groups in the 1980s, has cut its staff from 300 to 150 over the past two years with most of the cuts coming from administrative areas. Two years ago RSCG:Conran employed 150, half of whom were designers. It now operates as a single-floor studio with 50 employees, including 35 designers who are responsible for new business and for managing their own projects. This team is augmented by up to 40 freelances at busy periods.

The most resilient companies in the recession have been those that eschewed the excesses of the 1980s. Pentagram emerged unscathed by maintaining its original structure, devised in 1972, whereby the eight partners each run their own design studios but share central overheads. "A few years ago when everyone else was expanding we were accused of being dowdy," says John McConnell, partner. "Now we feel vindicated."

Mark Landini: there are signs that life is getting easier

Pentagram is now cited as a role model by younger consultancies such as Cartlidge Levene, a graphic design company run as a co-operative by five designers in their late 20s and early 30s. "We all worked for big groups in the 1980s and watched them unravel," says Adam Levene, director. "Design isn't suited to a large scale. We've stuck to our guns and kept the company small so we can be more selective about our work."

The industry may have shrunk, but the nature of its work is becoming more complex. Some sectors of the UK market, notably retail design and corporate identity, are maturing. This means there are not only fewer new projects, but that the type of work is different.

There is less demand from retailers for new design schemes and store concepts, but growing interest in merchandising and product development. Similarly, there are fewer new corporate identity programmes, given that so many UK groups have already done them, and designers are being hired on a consultancy basis to implement and adapt existing schemes.

"We need to recruit people with expertise in our new areas and to retrain existing staff," says Wally Olins, chairman of Wolff Olins, a leading identity consultancy. "The problem is that it has come at a time when we can't really afford it."

But these changes should benefit the industry by nurturing longer-term relationships with clients. One of the problems has been the ad hoc nature of design projects, which makes consultancies vulnerable to budget cuts when times get tough.

Another important change is the role of technology. Advances in Cad-Cam, computer-aided design, have had a dramatic effect on graphic design, where consultancies can use computers to improve efficiency, but also to fulfil functions, such as typesetting, which used to be done externally.

Most design companies are investing heavily in technology. Pentagram has spent £250,000 since 1990 and Wolff Olins around £750,000. These are substantial sums for an industry which has traditionally required very little capital investment. But the financial benefits are already apparent. Wolff Olins has been able to dispense with its old pool of up to 30 freelance designers because of Cad-Cam.

Eventually technology could also help to strengthen client relationships. Wolff Olins and Fitch already have direct computer links to their clients. At the same time it should accelerate the industry's development in that only large consultancies can afford the really sophisticated systems needed for big projects. This may eventually make them less vulnerable to cut-price competition from small design firms with lower overheads.

This polarisation should be accentuated by the industry's international expansion. During the recession the large consultancies have found big projects in other countries, to compensate for the UK downturn. "Our international work has kept us alive," says Rodney Fitch, chairman of Fitch, which now makes two thirds of its income overseas. "I hate to think what would have happened without it."

International projects are not a panacea. There are logistical problems in servicing clients in other countries. Even the biggest design groups cannot afford to maintain large networks of overseas offices. Most prefer to work from London, sometimes supported by small local operations, although this involves investment in recruitment and retraining.

Another problem is renumeration. The profitability of international projects tends to be lower than for domestic work, particularly in continental Europe. It is also difficult to recoup additional costs such as travel.

"We're still learning how to operate in other countries," says Wally Olins. "Most design companies have made a mess of it in the past and it's still not easy. But we're getting better. We have to. It's essential for the industry's future."

Cider is breaking away from its rustic image. Now it is aimed at everyone, writes Philip Rawstorne

Cheers for the producers

BRITAIN'S cider industry has kept its sparkle through a recession in which brewers and distillers have encountered their toughest trading conditions for decades.

Bulmer, the UK's leading cider maker with a 45 per cent market share, last week reported a 19 per cent increase in 1991 profits.

Dealing begins today in shares of Taunton Cider, its main rival, with most analysts forecasting steadily improving profits despite the less-than-expected splash of its flotation.

Since 1988, cider production has risen nearly 25 per cent. It has poured out of the niche position it once occupied to become one of the most buoyant sectors of the UK drinks market.

While beer consumption declined 3.6 per cent last year, cider volumes rose 3.1 per cent to a record 76.8m gallons, worth £600m in retail sales.

The single most important factor driving this progress is marketing. Cider sales grew strongly in the late 1970s and early 1980s when it became widely available on draught in the country's pubs. This distribution-led growth came to an abrupt end in 1984 when the government increased the rate of excise duty by 47 per cent.

The first general response of the industry to declining sales was to reduce advertising. Between 1983 and 1985, cider advertising was cut by a third. The result was further falls in volume and the growth of own-label ciders.

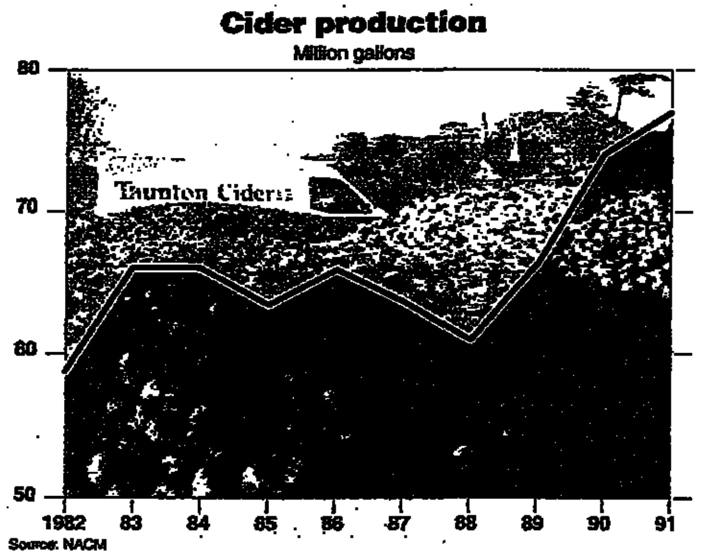
Recovery began with a marked switch in advertising strategies and the development of products targeted on specific groups.

For years, most cider advertising focused on traditional rustic images, and virtually the only product differentiation was between sweet and dry cider.

In 1988, Bulmer increased its marketing expenditure by 70 per cent to £10m and launched a series of campaigns to revitalise its mainstream brands, Strongbow and Woodpecker, by giving them a more contemporary lifestyle image.

Taunton started to push for growth through the development of new products. The successful introduction of Diamond White, a packaged premium cider, was followed by Diamond Blush, aimed at women. Red Rock, "a different kind of cider" was produced to compete with mainstream lagers. It was less gassy than normal cider and was quirkily promoted. Taunton's most recent brand, Brody, is aimed at drinkers of premium lagers.

Cider production



Source: NACM

Gaymers Group (then Showerings) introduced Copperhead, a draught cider, with advertising that gave it an urban image. It also launched K, a strong premium brand, to compete with bottled lagers. Merrydown, in contrast, continued to concentrate on the traditional premium sector it had created with advertising that concentrated on quality.

Each new move stimulated the industry to further efforts. Taunton responded to Bulmer's increased advertising by intensifying the promotion of its best-selling Dry Blackthorn. The company claimed last year to have accounted for 57 per cent of the industry's total advertising, well ahead of its 33 per cent market share.

Bulmer brought in new products, such as Scrumpy Jack, to compete with Taunton's new premium products; and it mounted a drive to secure greater distribution in free trade pubs.

Advertising expenditure by the cider makers last year exceeded that of the brewers on a pounds per gallon basis.

As a result, the industry has made "major advances in destroying the image that it primarily caters to scrumpy swilling bumpkins", says Jean-Marc Garzon, analyst at Panmure Gordon.

Recent market research by Bulmer confirms the change in consumer perceptions of cider. It is seen as a more "natural" drink than beer, more up-to-date than bitter or stout. Consumers rate mainstream cider brands above rival lagers on quality; premium ciders compare with premium lagers in the fashions stakes.

Cider's rapid growth in the last three or four years has been helped by hot summers, but the survey suggests it no longer depends heavily on favourable weather.

It has benefited from lower excise duties than beer and the recent defeat of European Community proposals to link the tax on cider to that on wine was greeted with relief by the industry. "But the moves towards a more brand dominated structure have made cider less price sensitive," says Jonathan Goble, analyst at Barclays de Zoete Wedd.

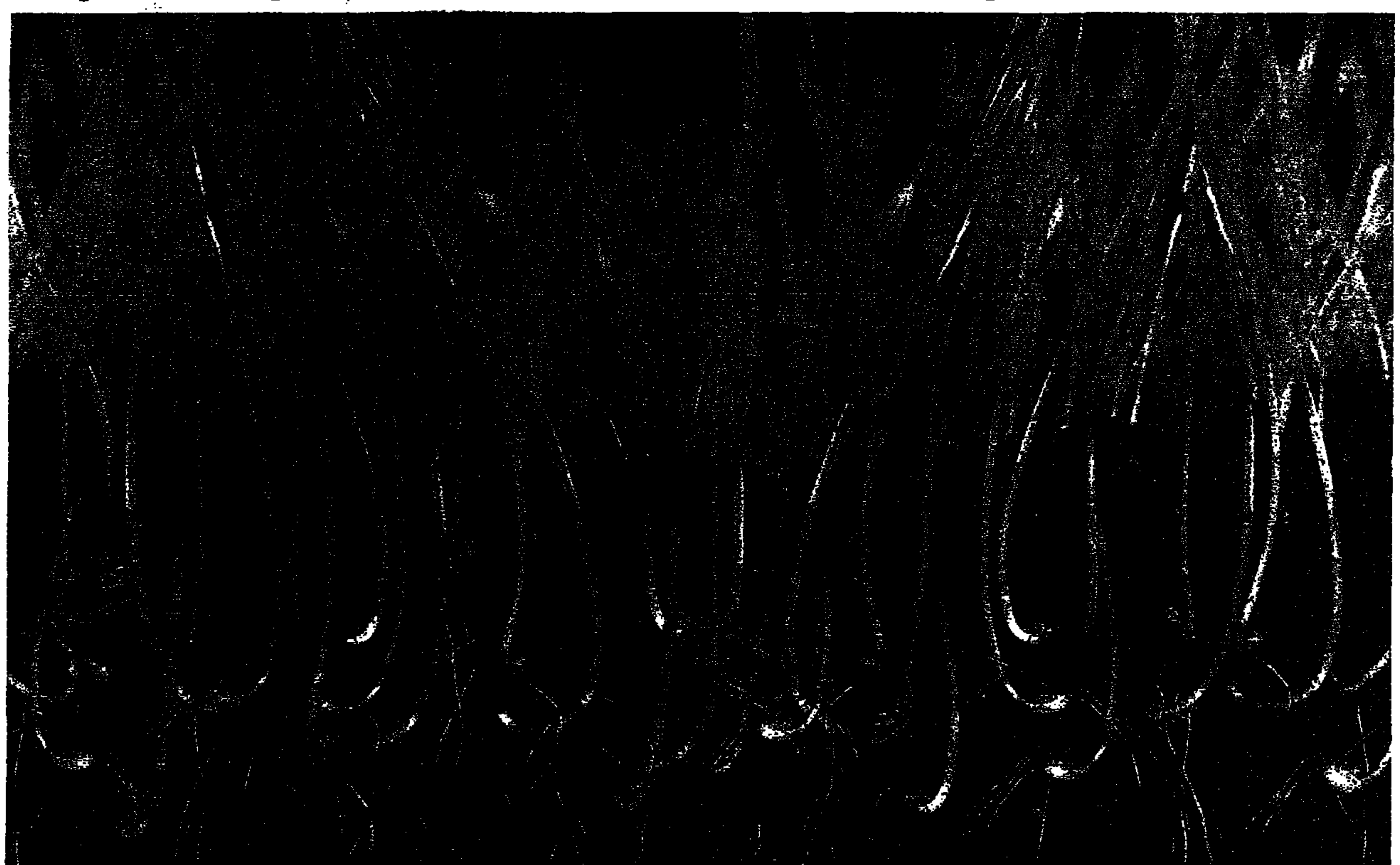
Premium cider brands now sell at around twice the price of standard products and form the most dynamic sector of the market.

Some scepticism remains about the durability of fashion brands; and the declining numbers of young drinkers may have its impact.

However, the industry's performance during the past difficult year has brought optimism.

"Cider is very much in tune with contemporary interest and needs; it appeals to both men and women across all age groups," says John Rudgard, Bulmer's chief executive. "If we continue to invest in the imaginative marketing of both mainstream and new brands, there is an opportunity to make another substantial leap forward. Cider has the credentials to become the drink of the 1990s."

Bayer: Expertise with Responsibility.



Crop protection products should degrade as completely and as rapidly as possible, even in the uppermost layers of the soil.

When looking at crop protection you need to dig below the surface.

A new kind of crop protection.
Soil is the farmer's greatest asset. It is constantly loosened and aerated by countless creatures and microorganisms whose biochemical activity releases nutrients. Modern crop protection products must take these processes into account.
They should be completely degradable, so that when rain washes a product into the soil it breaks down into components already found in nature, thus returning them to the natural cycle. Some of our crop protection products even serve as nourishment for microorganisms in the soil. This is a principle to which we give the highest priority. The process is as simple as a leaf turning into humus. But is it really that simple? Not at all. It takes up to 10 years to develop a product that effectively protects crops without itself causing damage, either above or in the soil.

We would be happy to provide more information about our Crop Protection Business Group. Please write to Bayer AG, Public Relations Department (KI), 5090 Leverkusen, Germany. KI 5105

Bayer

TECHNOLOGY

Financial pressures have forced Japan's auto makers to build in flexibility, writes **Steven Butler**

More oil on the wheels

Nissan Motor's kitchen-clean car assembly plant on Japan's southern Kyushu Island could easily pass for an exhibition of state-of-the-art robotics and computer-controlled manufacturing.

Giant mechanical arms hoist seven stamped, steel panels into position and, amid a shower of sparks caused by 64 simultaneous welds, the main body of a car is created. Sixteen robots then go to work on the body, performing 600 spot welds in rapid succession in two stages.

Today, production on the line is just getting going, but eventually the robots will handle up to four *different model styles, in eight different* variations, all of it controlled by computer.

Production at the body assembly stage is 100 per cent automated. But more important than the automation itself is that Nissan has managed to build in flexibility, albeit at considerable cost.

As Japanese car makers face a labour shortage that is forcing them to replace human versatility with far less adaptable machines, flexibility in manufacturing – or rather lack of it – has become a critical issue. Machines are not easily programmed to install different components for different cars coming down the line, and they still lack the dexterity of men.

Market trends have also heightened this need. While the Japanese manufacturers increased sales sharply in the late 1960s, all but Toyota did this by selling more models in smaller production runs. Being able to assemble multiple models on a single line increases the utilisation rate of expensive equipment. Today, with consumer tastes shifting rapidly, some production lines are running flat out, unable to meet demand, while others making less popular models go underutilised.

"Our focus in production engineering is to enhance flexibility," says Ryuichi Tsukamoto, executive vice president at Honda Engineering, a subsidiary of Honda Motor. "Enhancing flexibility is the best way to get efficient production."

Tsukamoto's strategy involves two broad approaches: one stresses the localisation of parts supply for an industry that has in a decade become global, and a second involves increasing the use of standardised parts and rethinking the design process for cars to allow standardised robots to install functionally different components.

Tsukamoto describes the idealised "lean" Japanese manufacturing process as direct production, which is essentially similar to the production system pioneered by Toyota Motor in the 1950s. Tsukamoto tries to match production capacity for parts and components suppliers precisely with the needs of the assembly line, with suppliers located near the assembly factory and thus able to respond quickly to demands from the factory floor.

Nissan reduces complexity by using fewer parts in different models

Honda more or less achieved this in the 1970s at its two main assembly plants in Japan, in Sayama and Suzuka. However, the start of production in the US in the early 1980s, followed by a period of hectic growth, led Honda far from the ideal, as the US plants were dependent on a long umbilical cord to Japanese suppliers. "Year by year we have been trying to localise parts supply and create direct production in the US," he says.

With consumer tastes shifting rapidly, some production lines are running flat out while others making less popular models go under-utilised

The US operation is still 20 to 30 per cent dependent on Japan for parts supply. Honda intends to carry the process further, and has recently established separate overseas operating divisions aimed at decentralising the international management in order to enhance local flexibility. Honda is the most advanced in giving a long leash to its overseas operations, but all the Japanese companies are heading in the same direction.

The redesign of parts and components themselves has recently become something of a hot topic in Japan, and Yoshifumi Tsuji, president of Nissan, has been most vocal about the need to reduce the complexity of cars, to use fewer parts, and to use more common parts in different models, thus allowing for greater economies of scale in manufacture. Companies like Nissan and Honda competed in recent years by bringing out new models, which were designed from scratch with little thought about economising on parts supply.

Honda's experience with the 1990 Accord, its bread-and-butter mid-sized car, however, caused the company to rethink the design process. The car was loaded with new technology, but was panned by the Japanese press for being old hat, mainly on styling grounds, and it flopped with consumers. This begged the question: if consumers were unable to appreciate innovative engineering throughout the car, was it all necessary? Might not the use of more standardised parts in different models produce a car of equal appeal and quality?

Tsukamoto is now leading a campaign within Honda to improve what he calls "commonality of design". The idea is not just to put identical parts into different models, but to set standards for installation, for example, putting mounting holes in the same place on different models. The aim is to allow a relatively inflexible robot to install a wide variety of parts. Flexibility in this case comes not from the production line itself, but from the design process.

How far the process can be taken, however, remains an open question, particularly at a time when automobile technology is changing rapidly in response to tightening environmental and safety standards around the world. New technology means changing parts designs that will stand in the way of standardisation.

Shoichiro Toyoda, president of Toyota Motor, is sceptical. "We have been trying to use common parts for a long time, but have not been able to do it very well," he admits. Toyoda says that while the concept of using common parts is attractive, in practice it is difficult to achieve without compromising the quality of different models of cars, where the engineering requirements are subtly different.

To some extent, Toyoda's scepticism reflects the relative efficiency of Toyota's engineering and manufacturing process, which has for years set the standard for the industry. There may simply be less room for improvement at Toyota.

Toyota has a double advantage because the scale of its operations is considerably bigger than the other companies, already allowing for greater economies of scale. And Toyota's habit of adopting a cautious, gradualist approach to new technology, in order to avoid making expensive errors, has served it well over the years.

For the rest of the industry, however, the financial pressure to reinvent the engineering process is intense. With the bloom having come off the car market, there is less to be gained from dazzling consumers with fancy new models. Car makers have little choice but to try to match Toyota's efficiency – and to better it if they can.

A previous article on Japanese engineering for flexibility appeared on the Technology Page on July 16.

BRITISH ENTREPRENEURS

High hopes in the venture stakes

Louise Kehoe introduces a rare breed of risk takers whose 'can do' attitude is paying off handsomely

"I JUST love building businesses," Michael Skok declares. At *"almost 31" he is a* veteran entrepreneur with two successful computer software enterprises to his name and ambitions to exploit the "almost limitless opportunities of the European software market".

Skok's latest venture is European Software Publishing (ESP), based in Maidenhead, Berkshire. Formed in 1988, the company licenses personal computer software products, mostly from US publishers, and markets them in Europe.

"We recognised a problem and *set about building a solution,"* says Skok. The "problem" is the difficulty that many US software companies face when trying to enter the European market. "They see the opportunities in Europe, but they do not have the resources to do it right," says Skok.

He formed ESP to provide marketing, distribution and customer support services for selected software products, initially in the UK and now also in France and Germany. By taking on several software products ESP can achieve economies of scale that elude most individual software publishers.

"It is a simple idea," Skok acknowledges, but one that has proven lucrative. At the end of last year, ESP had monthly retail revenues of £2m.

Among the first products taken on by ESP were those of Symantec, a California software house best known for its "Norton's Utilities" programs. Having increased Symantec's UK monthly sales 50-fold over a period of three years, in April ESP sold UK publishing rights for the products back to Symantec for £15m in shares.

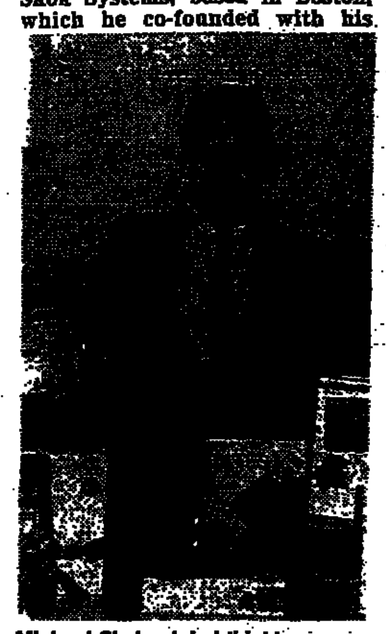
This year, ESP has signed exclusive UK marketing agreements with two other US software companies: ON Technology, the company formed in 1987 by Mitch Kapor, founder of Lotus Development, which specialises in communications tools for the Apple Macintosh; and Beyond, which publishes an advance electronic mail system.

Skok describes ESP as a software nursery: "We provide the environment that allows good personal computer products to take root and flourish in Europe," he says.

An unusual aspect of ESP's strategy is its reliance upon international alliances. Too many British companies fail to "think globally" in the early stages, Skok maintains.

He is also convinced that to be successful software companies need to prove their products in the US market to establish credibility.

Skok speaks from experience with his first software venture, Skok Systems, based in Boston, which he co-founded with his brother David. They developed a computer-aided design and manufacturing system designed to run on Hewlett-Packard minicomputers and earned the business annual revenues of $15m before licensing the program to HP.



Michael Skok: global thinking

He went on to spend two years at Invent, a British venture capital group, before forming ESP four years ago. While he recognises the opportunities of the US market, Skok is intent upon building up his British-based company. "We are combining US software expertise with UK management," he says.

Yet the UK business environment and culture do not favour entrepreneurial ventures, he feels. The biggest cultural barrier is a fear of failure. "The British school system is highly competitive, but it does not allow for failure," he says.

"You have got to be able to take risks, knowing that some of them won't pay off and that you will learn from things that go wrong," he adds.

Also lacking in the UK, he suggests, is a "Can do attitude", a degree of confidence and enthusiasm for solving problems that is the hallmark of US entrepreneurs.

However, the European software market is complex, he acknowledges. Attitudes to software purchases vary widely in different countries. "The Germans test every minute feature of a program. In France the user interface is very important so programs have to look pretty. The UK buyer combines a bit of both approaches."

Unlike the US, where corporate software purchases are frequently influenced by end users who badger their data processing departments into acquiring new technology, the European market is "corporate driven", Skok notes. "The individual influence isn't there. We don't have technology junkies!"

More seriously, he notes that too *few business people* "see it as part of their job to understand computing". On the reluctance of senior managers in Europe to make use of PCs, Skok is unequivocal. "It is disgraceful. Surely they must recognise that technology is going to have a big impact on their businesses in the next five years. How can any senior manager not include it on the agenda?"

His vision of the potential of computing is, however, tempered with down-to-earth pragmatism. New software must work with existing systems and provide a tangible business advantage, he says. IT investments must also be cost-justified. "We cannot afford a software revolution, we are not looking for wizzy products, we are looking for business tools."

The series will continue next week.

FT LAW REPORTS

Californian suit goes ahead

ARAB MONETARY FUND v HASHIM AND OTHERS
Chancery Division: Mr Justice Hoffmann:
July 14 1992

AN ANTI-suit order restraining a defendant from proceeding in a foreign country against a witness will not be granted by the English court if it is unnecessary for the purpose of protecting the court's jurisdiction or enabling justice to be done in the UK.

Mr Justice Hoffmann so held when refusing an application by the plaintiff, the Arab Monetary Fund (AMF), for an interlocutory injunction to restrain the defendants, Dr Jawar Mahmoud Hashim, and his wife and son Jafar, from prosecuting an action in California against Mr Salah al Hafidh, a former employee of the AMF.

HIS LORDSHIP said Dr Hashim was director general of *the AMF between 1977 and* 1982.

The AMF alleged that he defrauded it of more than $50m. It also claimed against other defendants including Mrs Hashim and Jafar, on the grounds that they knowingly assisted Dr Hashim or knowingly received some of the money.

The writ was issued on December 5 1988. On the same day, the AMF applied for a world-wide Mareva injunction against Dr Hashim.

The application was supported *by a lengthy affirmation* by Mr al Hafidh.

Mr al Hafidh was a chartered accountant employed by the AMF as chief internal auditor, after Dr Hashim had left.

He described in his affirmation how he had found apparent irregularities in the accounts. Large sums had been paid into accounts controlled by Dr Hashim in AMF's name. The money had been transferred to Swiss accounts in the name of Dr Hashim and his wife.

The AMF had requested an independent investigation by Ernst & Whinney, for whom Mr al Hafidh had worked before joining the AMF.

Their report concluded that there was *prima facie* evidence of fraud by Dr Hashim. Together with a report by Swiss experts on what had happened to the money in the Swiss accounts it formed the basis of the Mareva application.

Similar relief was granted against Mrs Hashim and Jafar.

The trial had been fixed for January 1993.

Mr al Hafidh resigned from the AMF in 1989 and emigrated to California.

In October 1991, Dr and Mrs Hashim and Jafar commenced proceedings against him in the Los Angeles County Superior Court.

The essence of the complaint was that Mr al Hafidh's affirmation was a false and malicious invention and part of a conspiracy between him, Ernst & Whinney and the AMF, to ruin Dr Hashim and his family.

The bedrock of those allegations was the question whether the AMF was right in saying Dr Hashim stole its money.

If that turned out to be true, the case against Mr al Hafidh would collapse. That was the *question which would be investigated* in the English proceedings.

If the AMF's case failed, the English court would not be concerned to enquire whether Mr al Hafidh acted in good faith or with malice. He was not a party to the English action and not subject to the court's jurisdiction.

In those circumstances, the AMF applied for an injunction to restrain Mr Hashim, his wife and Jafar from prosecuting the Californian action until after the English trial.

There was no doubt that the court had jurisdiction to grant such an injunction. The order was not directed to the Californian court but operated *in personam* against the respondents as persons subject to the jurisdiction of the English court. Dr and Mrs Hashim were resident in the UK and Jafar, though resident in Canada, had submitted to the jurisdiction.

It was well established in the UK, as in the US, that an injunction to restrain proceedings in a foreign jurisdiction (an "anti-suit" injunction) should be granted only in very narrowly restricted circumstances. Generally speaking, the foreign judge was in the best position to decide whether it was just and equitable that proceedings in his own court should be stayed or allowed to proceed.

Such an order would be granted only if prosecution of the foreign proceedings appeared to be "vexatious or oppressive".

Cases in which anti-suit injunctions had been granted or refused showed that "vexatious or oppressive" had been given a very restrictive interpretation.

They showed that it was not sufficient that the action should be vexatious or oppressive in the ordinary domestic sense in which such actions might be struck out. That was a decision which ought properly be left to the court before which the proceedings were pending.

There had to be some good reason why the decision had to be made here rather than there.

It might be because there was a conflict of national policy between the UK and the foreign tribunal. The injunction might be needed to protect *the jurisdiction to prevent a litigant* from evading important public policies.

When the question was simply one of justice between litigants, uninfluenced by differences of national policy, the normal assumption was that the English court had no superiority over a foreign tribunal in knowing what justice required.

And there might be cases in which, although there was no overt clash of national policy, the realities of litigation before the foreign tribunal might be *such as to satisfy the court* that justice could be achieved only by enjoining the foreign suit.

Assuming for the purpose of the application that the AMF action might be part of a conspiracy to ruin Dr Hashim, and that its case failed and was shown to be have been a malicious plot to which Mr al Hafidh was party, it would obviously be unjust to prevent Dr Hashim from afterwards pursuing Mr al Hafidh in California.

On the other hand if the AMF succeeded in proving its case, it would be an abuse of the process of the court for Dr Hashim to attempt to relitigate that question against Mr al Hafidh.

In such a case the court would restrain a collateral attack on its jurisdiction by the commencement of such proceedings abroad.

At present however, there had been no determination of the merits in the UK or US.

The AMF claimed that pending trial here the court should grant an injunction to prevent interference with the jurisdiction by intimidation of a potential witness.

The question was whether the injunction was necessary to enable justice to be done here or to safeguard the general jurisdiction of the court.

On that question the following matters were relevant:

First, Mr al Hafidh was not a witness of primary fact. He came on the scene after Dr Hashim had left, and could only depose as to the result of his investigations.

Second, when the present proceedings were commenced the AMF was not intending to call Mr al Hafidh as a witness. He had said he did not want to come. It was as a result of the Californian action, and possi*bly financial assistance, that* he changed his mind.

Third, there was nothing to suggest that Dr and Mrs Hashim commenced the Californian action to dissuade Mr al Hafidh from giving evidence in the UK. They did not think he would be giving evidence here.

The object seemed to have been to have the opportunity to examine him on discovery or at trial in Los Angeles.

That might or might not be an abuse of process in California, but did not constitute an *interference with the English* proceedings.

The court was not satisfied this fell within the exceptional class of cases in which an anti-suit injunction was needed to protect the jurisdiction of the English court.

Whether the Californian proceedings should be stayed or proceed did not raise any question which could not equally well and more appropriately be decided in California.

The motion was dismissed.

For the AMF: Charles Flint (Freshfields).

For Mr Hashim: Hugo Page (Landau and Scanlan).

Rachel Davies
Barrister

PEOPLE

Ashcroft answers the call from Betacom

Ken Ashcroft, Amstrad's corporate finance director, has left the board as part of the company's restructuring.

Ashcroft, 57, explained yesterday that he had resigned in order to pursue other business interests – in particular as non-executive chairman of Betacom, the telephone equipment distributor which is 71.3 per cent owned by Amstrad.

He replaces Roger Rowland who also resigned yesterday; he became chairman last year following the resignation of the founder, Dennis Baylin.

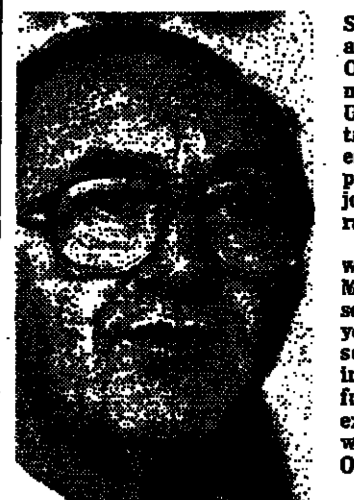
Amstrad became the majority shareholder in Betacom – which has recently experienced deteriorating trading conditions, lower sales and higher customer returns – last week after less than a third of Betacom's recent £8.4m rights issue was taken up by other shareholders. The issue was underwritten by Amstrad, which received Takeover Panel approval to take control without making a bid.

Ashcroft has considerable experience in the consumer and consumer electronics industries. He joined Amstrad from Dixons and had previously worked for Philips, Ford and Ideal Standard.

As Amstrad's corporate finance director he was in charge of the group's City and banking relations, and acted as troubleshooter in cost control and inventories. He said yesterday that as chairman of Betacom's independent board his first task would be to "steer the company back into profitability in the UK market".

Ashcroft, whose departure from the Amstrad board appears to have been amicable, added that he had decided to leave the Amstrad board and "try something else" earlier this year, before the Betacom opportunity opened up.

Sir Bryan takes the tractor hot seat



Sir Bryan Nicholson, chairman and chief executive of the Post Office, is to be the next chairman of Varity Holdings, the UK maker of Massey Ferguson tractors and Perkins diesel engines. He takes up his new post in January and will also join the board of Varity Corporation, the US parent.

Sir Bryan, 60, will fill a post which has been vacant since Michael Bird, Varity's long-serving UK chairman, died last year. Sir Bryan had announced some time ago that he intended to step down as a full-time chairman and chief executive of the Post Office when his contract expires in October.

He has already agreed to take on the chairmanship of BUPA, the UK's leading independent health care organisation, but he had indicated that he would stay on as a part-time chairman of the Post Office until March 1993. His decision to take the Varity job will put further pressure on the government to pick a successor. There is growing speculation that the authorities will use the opportunity to split the job of chairman and chief executive of the Post Office, Britain's biggest nationalised industry.

Before joining the PO in 1987, Sir Bryan had been chairman of the Manpower Services Commission for three years. However, he has spent the bulk of his career in international business, having started as a Unilever management trainee in 1955.

Grove hands over water to Pitcher

Dennis Grove, chairman of North West Water, the former regional water authority which has had to implement the biggest programme of improvements in the privatised industry, is to retire next spring; he reaches 65 this month. He will be succeeded by Sir Desmond Pitcher, the current NWW deputy chairman who has recently announced his intention to step down as group chief executive of the Littlewoods pools and retailing group.

Grove, chairman and chief executive of Sonoco Europe and a vice president of Sonoco International before he became chairman of NWW in 1985, says that the company will soon be half way through its massive £5bn capital spending programme, and that it is a good time to hand the challenge on to someone who could take it through to completion.

"Sir Desmond is widely experienced in the north west, nationally and internationally, and is ideally qualified for the job; his business background has given him the closest practical knowledge of new technology. As an added bonus he has an intimate knowledge of and commitment to the north west of England," Grove says.

Sir Desmond, who will become non-executive vice chairman of Littlewoods when he ceases to be chief executive next March after 10 years in the job, said it was time for him to take a different role. "What could be a more natural move than to an organisation which is doing more than any other to improve the environment of north west England?"

■ **Sam Jonah** has been appointed a director of LONRHO. Jonah, now 42, won a Lonrho scholarship to the Camborne School of Mines in 1969 and has an MSc from Imperial College. He has been an associate director of Lonrho since 1991 and md of Ashanti Goldfields Corporation (Ghana) since 1986 and has worked there since 1969. He is president of the Ghana Chamber of Mines.

■ **Sir Alistair Grant** has been appointed an ordinary director of the BANK OF SCOTLAND. Sir Alistair began his career at Unilever and moved subsequently to J Lyons. In 1977 he was appointed md of the companies which formed the Argyll Group, becoming deputy chairman and chief executive in 1986.

■ **Ray Weekes**, chief executive of ROTHMANS HOLDINGS, the Australian tobacco group in which Rothmans International has a 50 per cent share, has resigned.

Lord Swaythling, chairman of Rothmans International, said: "He has not been fired. He has resigned for reasons of his own. We shall miss him very much and we wish him well."

Weekes's resignation follows "severe problems related to the marketplace" which the Australian operations had suffered during the past year, Lord Swaythling added.

John Utz, Rothmans Holdings chairman, will head a management committee which will be responsible for operations until a new chief executive is appointed.

Ballet

Romeo and Juliet

Clement Crisp

WATCHING Irek Mukhamedov on Tuesday night in his debut as a Royal Ballet Romeo, we could see rather different qualities from those that had made his reading of the character so memorable with the Bolshoy.

A consummate dance actor, he gave an emotional precision to the sweep of Grigorovich's dances, when the choreographic vision seemed to me somewhat generalised. With Kenneth MacMillan's creation, dramatic detail is part of the fabric of the role, and in exploring this very different approach, Mukhamedov was no less convincing, and moving. So, in the ball-room, we first see him still youthfully caught up in his infatuation for Rosaline (and Mukhamedov asserts, more clearly than any other Romeo I recall in MacMillan's opening scene, that it is an infatuation).

But his attention turns towards Juliet as she embarks upon her solo, and we know the flare of his feelings. He is intrigued, then held by her beauty – he tells Mercutio of his fascination – and when at last the two young people gaze at each other, we see the lightning strike.

The later progress of the scene, where MacMillan sets the interplay of a new love amid the social graces and social tensions of the ball, suggests the blaze (and the subterfuges) of illicit passion, which will explain all that follows. Mukhamedov plays this superbly well. Moments that have, with other interpreters, been lightly sketched, achieve a poignant intensity which reaches the heart of the character. The reading is ardent in everything, and ardently done.

The action is fired throughout by Mukhamedov. He is not yet at ease with some of the dance: the lighter accents, the way the choreography makes fluid phrases, sit somewhat at odds with his heroic and physically dense manner. But he is everywhere Romeo, from the laughing youth of the first scene to the agonised man in the tomb whose handling of Juliet's body has a chilling verismo – we sense the weight of the supposed corpse, and the near hysteria of this Romeo's feelings for it.

Yet it was in some ways a performance played in isolation. There seemed too little rapport between Mukhamedov and his Juliet, Viviana Durante. Miss Durante made an impressive debut in the role two years ago, but on this occasion her portrayal looked self-contained.

That both artists can flame with mutual passion we know from *Manon*. On Tuesday, it was as if Miss Durante were applying brakes to Juliet's headlong race towards a great love, were holding herself back from Romeo. And impeccable as was the dancing, a Juliet who does not sweep us along on the inevitability of her love, is less than Juliet.

There was a sound performance from the company, with Stephen Jefferies a tremendous Mercutio. He and Mukhamedov are cut, as artists, from the same cloth: there is no artifice to their playing, only drama vividly felt, vividly shown.

The Royal Ballet season continues at the Royal Opera House, Covent Garden, until 8 August, with *Romeo and Juliet* alternating with *La Bayadere*

London Promenade Concerts

Holt and Dillon

NEW works are distributed unevenly through this year's Proms. There are nine premieres promised altogether, and after just five days there have been first performances of works by James Dillon and Simon Holt, while the next week or so offers four more, from Tavener, Casken, Bennett and Goehr.

It promises to be a highly varied clutch of novelties, and certainly expectations were bountifully rewarded on Tuesday, when Holt's viola concerto was introduced by the indefatigable Nobuko Imai, with the BBC Philharmonic conducted by Yan Pascal Tortelier.

Borrowing its title from an artwork by Richard Long, *walking with the river's roar* takes Holt's development forward in a giant stride. It contains music of great power and expressive range within a consistently inventive and highly charged 20-minute span.

The work has had a protracted history; it began life as a piano concerto, settled down as a piece for viola and orchestra but even then was discarded and begun again. Along the way it was transmuted into a memorial work, a tribute to Holt's father who died while he was a teenager, and coloured also by the death three years ago of Michael Vyner, artistic director of the London Sinfonietta and one of Holt's most fervent champions.

That sense of loss permeates the score, though never in an explicitly elegiac way. It emerges more as a scarcely controlled rage in the writing for the solo viola, whose lines are full of fierce multiple stops and harsh repetitions, and in the dark, threatening sonorities that cluster about it from an orchestra which contains no violins or bassoons, as if to leave a space around the viola.

As the solo sonority teeters on the brink of extinction, threading its way through the hostile musical landscape, the "river's roar" perhaps of the title, it creates a powerful central image, with other figures and details flitting in and out of focus through the work.

Attention is held unwaveringly by the lines of force between all these elements and by the sharp originality of Holt's inventions. On first acquaintance, *walking with the river's roar* seems a richly endowed work, which asks searching musical questions of itself, yet answers them all triumphantly.

On Monday, the premiere of Dillon's *ignis noster* had been wedged between the First Symphony of Sibelius and Strauss's *Four Last Songs* in the BBC Symphony Orchestra's programme, conducted by Alexander Lazarev. Dillon's title is an alchemical one, and the idea of transmutation by fire seems to provide the 20-minute piece with its principal, Skryabin-like metaphor, if not with any detailed programme. The musical argument is essentially abstract, dense and many-layered, full of accumulations of fierce, rhetorical gestures.

There are few moments of respite, though towards the close the textures tended to congeal in larger-scale events; ideas are hurled out at a formidable rate, and tended towards a congested effect, far from the lucid planning of some of Dillon's most recent instrumental pieces. Whether a less excitable performance might uncover a clearer structural scheme remains to be heard.

Andrew Clements

The director and some of the cast of *Nothing On*, the play within the film of *Noises Off*, peer from the wings. From left to right: Carol Burnett, Michael Caine, Marilu Henner, Denholm Elliott, Nicolette Sheridan and Julie Hagerty

Cinema/Nigel Andrews

Celluloid backstage goings-on

NOISES OFF (15)
Peter Bogdanovich

BEETHOVEN (U)
Brian Levant

UNIVERSAL SOLDIER (18)
Roland Emmerich

FACT one: stage farces are unfilmable. Fact two: Peter Bogdanovich's effective directing career ended 20 years ago with *Paper Moon*. (A pale shadow of Mr B has since directed things like *Mask* and *Texasville*). Fact three: no film with a cast of Americans affecting British accents can be sat through without pain.

Fact four: all facts are renegotiable. Especially in the world of cinema. Bogdanovich's film of Michael Frayn's play *Noises Off* is a triumph of single-minded panache over the awful warnings of those who said it could not be done.

You cannot, claimed the Jeremiahs, translate to the movie screen a stage romp about an acting company whose offstage problems – drink, sexual jealousy, professional rivalry – sabotage the crisp clockwork of the new farce they are performing on a provincial tour. Called *Nothing On*, this play is a precision piece about dropped trousers, French windows and mistaken identity. But with its cast nightly rending itself apart in the wings, how can an on-stage comedy of errors survive the offstage one?

Equally, how can any play about play-acting survive the ventilating processes of film? Yet cinema, as we know, has confounded expectation ever since the first filmgoer screamed at the sight of a seemingly real approaching train. *Noises Off* continues the grand tradition.

It begins as a distant rumble, with stage director Michael Caine puffing clouds of *sotto voce* sarcasm through the technical rehearsal: all sticking doors, misplaced plates of sardines and a drunken Denholm Elliott missing his cue as the burglar.

The train comes closer in "Act Two", with a backstage glimpse of rival thespians Christopher Reeve and John Ritter fighting over the faded favours of *prima attrice* Carol Burnett. And it snorts deafeningly into the station in "Act Three", as we become the stage audience watching the finished shambles from the front of stalls.

If I say I laughed till I cried, I have a dreadful fear the words will be ripped out and stuck on the poster. But I did. Not having seen Frayn's play on stage, I had been told that it crackled merrily for two acts before fizzling out in the third.

But on film the third act is the funniest of all. The text of the play-within-a-play – at this point in the film we know it by heart – is remodelled by the desperate ad libs of a cast who know the sardines will never be where they should be, that the burglar will drop his trousers instead of the lover, that Ritter and Reeve will go on trying to murder each other on stage, and that Miss Burnett will succeed in murdering the English language with her portrayal of a cockney maid.

Bogdanovich could have "opened out" the play – phrase of doom – and included scenes set in cafes, parks or cheap hotels. Instead he whirls his camera-crane around the theatre's confined space, magically concentrating our and the cast's attention.

To prepare the film, he rehearsed them in a real stage production of *Noises Off*, which he then exposed to author Frayn. What fine-tuning followed produced this perfect-pitch movie. Every slammed door is in tune with every slammed ego, and every cast member is a thing of beauty and a joy forever.

* * *

How not to direct slapstick is demonstrated by *Beethoven*. Hollywood today believes that the comedy writer's best friend is a dog: see *K-9*, *Turner And Hooch* and company. The theme and variations in each case are the same. Every time our punctual, smartly dressed hero prepares to do something which might advance his career or his family's well-being, he encounters a scirocco of hair, muddy paws and slobbering jaws.

The eponymous St Bernard in *Beethoven* terrorises air-freshener tycoon Charles Grodin and his identikit middle-American family. The dog is a large and "lovable" nuisance who has escaped from a military experiment laboratory, where it was meant to provide target practice for a new type of super-destructive shell. Instead, chez Grodin, the dog becomes a destructive weapon itself. Farewell the master bedroom; adieu the wall-to-wall carpeting; and how do you expunge muddy pawprints from a $360 Gucci blazer?

Laugh? We wait like locked-in dogs whose noses are pressed to the window for the first sign of life or human interest coming up the driveway. Wit we have already despaired of in reel one.

Edmond Dantes and Amy Holden Jones wrote the script, which when not recycling the same joke about doggy destruction, limps into sub-Disney sentimental whimsy. Brian Levant directs.

Dogs are part of today's cinematic vogue for anarchic inarticulacy. Reacting against the yuppie Eighties, with its celebration of chattering self-advancement, modern movies favour the grunt of the primal animal. Not just dogs but Dolph Lundgren, hulk extraordinaire. Not just Beethoven the St Bernard but actor-kickboxer Jean-Claude Van Damme, known as the "Muscles from Brussels."

These two co-star in *Universal Soldier*, a mentally retarded action thriller brought to you by the same *zeitgeist* that created Arnold Schwarzenegger.

Stretchered out of Vietnam after a near-fatal grudge fight, Lundgren and Van Damme are to be found in present-day Nevada, where they have been re-stitched as semi-robot commandos and work for what appears to be a delinquent subsection of the UN.

They go into international crises with all computer systems bleeping and they can survive knives, grenades and bullets.

One day Mr Van Damme has a twitch of remembered humanity and decides to escape with a gorgeous TV reporter (Ally Walker). In hot pursuit is Mr Lundgren, hijacking his outfit's hi-tech command tank and destroying as much of America as he can before passing Go.

This film never even reaches Go. Carolco, the company that gave us 90 million dollars' worth of stunt work in *Terminator 2*, give us a similar crash diet here.

Cars and trucks senselessly collide; service stations suspenselessly explode; and one stomping hulk with a foreign accent is twinned with another in a duel of guttural grunts.

What price Mr Lundgren's hobby of making necklaces from his enemies' severed ears? Evolution will soon phase out the human sense of hearing completely if it has nought to feed on but crashes, bangs and lines like: "He is a little mixed up, give him ze serum."

Revival corner this week is devoted to *Peter Pan* (U, Odeon West End) and *The Thief Of Baghdad* (U, Barbican). Perfect for the summer hols.

London theatre

ONE of the best productions I have seen in the past few weeks is *The Heiress* at the Richmond Theatre. The stage adaptation of Henry James's masterpiece of a novel *Washington Square*, it has an excellent plot and is beautifully staged. I look forward to seeing it in the West End.

Meanwhile, in Holland Park, Oracle Productions is playing Wycherley's *The Country Wife* until the end of next week. This restoration comedy has never seemed quite as outrageously bawdy as is sometimes claimed, but it has some very good scenes. On Tuesday, director Peter Benedict was obliged to step in and play the key part of Pinchwife himself in the absence of Darryle Forbes-Dawson. He has a wonderfully disgusting leer. Mrs Pinchwife is played by Nicola Duffet who gets steadily better as the play goes on.

The Holland Park season has grown in stature over the years. Something there – whether opera or play – ought to be caught before the season ends on August 22.

At the Young Vic there is a reminder that *Guys and Dolls* must be among the half dozen or so best musicals of all time. It has dialogue, plot and wit as well as tunes. Precisely because it is so good, it is extremely difficult to do well and is therefore a little over-ambitious for the Youth Theatre. Nevertheless, this is a game attempt and worth seeing. There is a fine Sky Masterson in Ben Caplan. The production, directed by Karen Stephens and Chris White, runs until August 1.

Malcolm Rutherford

Henze's Montepulciano

EVER since Hans Werner Henze founded the Montepulciano *Cantiere Internazionale d'Arte* in 1976, he has been fighting strenuously to keep people from calling it a festival.

It is an uphill battle, not least because *cantiere* resists translation, though the awkward *work-site* comes closest. Henze is right. In Montepulciano there exists a special, fruitful relationship between town and Cantiere. The audience has little of the glitter of, say, Spoleto. Although there are sponsors (BMW notably), there are no signs of commercialisation. The youth of the performers, the presence of students, establishes a campus, summer-school atmosphere.

And yet, the townspeople and visitors who continue to call this a Festival are right, too, if by festival is meant special place and time for special cultural events.

This year's opening work was Paisiello's *Re Teodoro in Venezia* in a version devised by Henze himself, scored for a small orchestra made up of students from the Royal Northern College of Music and a group of young Germans mostly from Munich.

Paisiello's comic opera is a work of great charm, and Henze's revision retains all of the comedy, enhances Paisiello's affecting vocal writing, and adds a good deal of fun on its own.

Henze has allowed himself total freedom, in particular, with the recitatives, in which the piano plays a preeminent role. The director Lorenzo Mariani worked closely with Henze, so music and production were ideally blended.

At the Burgtheater in Vienna, Paisiello must have had a superlative cast for the premiere of *Re Teodoro;* true to its tradition, Montepulciano used young and virtually unknown singers, but what they lacked in vocal expertise they made up for in verve. Actually,the soprano Patrizia Ciofi, who has only recently made her debut, is a genuine find: the voice is agile and true, but not icy. She also possesses a confident stage presence.

The mezzo-soprano, Paola Roman, got up as Marilyn Monroe (or as Madonna got up as M.M.), acted with bravado, but her singing was unexciting. The same could be said of Piero Guarnera, the Teodoro, though he made something positive of his part. Despite occasionally unintelligible enunciation, Alessando Svab, as Taddeo, the buffo innkeeper, displayed an appealing voice and a welcome sense of humour.

The young conductor Giuseppe Mega, a Montepulciano regular, kept stage and pit together, and his little orchestra played with great style. Mariani's final gag – a shower of fake money – had the older members of the audience applauding heartily while the children scrambled around collecting the banknotes.

For Henze and the performers it may have been a work-site, but for everyone else it was a *festa*.

William Weaver

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw 20.15 Piano recital by Alexei Sultanov, with works by Beethoven, Chopin, Scriabin and Rakhmaninov. Sun: Melvyn Tan fortepiano recital. Next week: Elly Ameling (6718 345).

ATHENS

ATHENS FESTIVAL
Tonight's performance at 21.00 at the **Odeon of Herodes Atticus** is The Grazed Surface, a guest production by Sankai Juku (Japanese Buto Dance Theatre), repeated tomorrow. Sun: Miltiades Caridis conducts the Greek Radio Symphony Orchestra and Chorus in works by Massenet, Strauss and Orff, with Jenny Drivala soprano soloist. Next week: American Ballet Theatre (322 1459).
EPIDAURUS FESTIVAL
The annual festival of ancient drama in the 14,000-seat amphitheatre at Epidaurus has plays by Sophocles, Euripides, Aeschylus and Aristophanes on most weekends in July and August. Tomorrow and Sat: Aristophanes' The Knights, in a production by the National Theatre of Greece. Next week: Sophocles' Antigone. Performances begin at 21.00. *Tickets are available daily at the* Athens Festival box office (322 1459), or at the theatre of Epidaurus every Thu, Fri and Sat (0753-22006).

BERLIN

● Peter Zadek's production of The Blue Angel can be seen daily except Mon at **Theater des Westens**, with Ute Lemper and Eva Mattes alternating as Lola, the night club singer who captivates Professor Raat (West Berlin 3190 3193).
● **Freilichtbuhne an der Zitadelle** has jazz concerts tomorrow and Sat, plus a production of Shakespeare's A *Midsummer Night's Dream from* next Tue (West Berlin 331 6920).
● **Hebbel Theater** has performances of Die Zauberflote on Tue, Wed and Thu next week (West Berlin 251 0144).
● **Theaterkasse im Europa-Center** has an information and ticket service for Berlin entertainments (Tauentzienstrasse 9, tel 261 7051).

BUDAPEST

State Opera The repertory includes Madama Butterfly (Sat and Tue), Don Giovanni (Sun and next Thu), a double-bill of Bartok stage works (Mon and Wed) and a ballet programme (tonight and tomorrow). Performances begin at 20.00.
Merlin Theatre Stalin and Other Voices: two one-act comic operas sung in English. Tonight, tomorrow, Sat and Sun at 20.00 *(Gerloczy u 4).*
Margaret Island Tomorrow at 20.30: open-air performance of Il trovatore.
Hilton Hotel Tomorrow: operetta concert. Tue: folklore performance by Duna Dance Ensemble (Hess Andras ter 1-3, in Dominican Court).
● Pre-booking for concerts at the National Philharmonic Booking Office (Vorosmarty ter 1) and for opera at the Central Theatre Booking Office (Andrassy ut 18), also at theatre box offices.

GLASGOW

THE FLAVOUR OF SCOTLAND
Next Friday (July 31) in the *Strathclyde Suite of the Royal* Concert Hall, Bill McCue hosts the first evening in a series entitled The Flavour of Scotland, a traditional Scots supper with entertainment. McCue, one of Scotland's best-loved singers and a renowned operatic bass, will be singing traditional Scots melodies and telling tales of the past, with the help of other entertainers. The menu for the evening includes Scottish poached salmon and salad, haggis, neeps and tatties, plus Scottish cheese and oatcakes. The series runs every Friday and Saturday till September 12 (041-227 5511).
● Glasgow's Royal Concert Hall also hosts the annual summer concert of the National Youth Orchestra of Scotland on Monday (July 27). Louis Fremaux conducts works by Walton, Elgar, Britten and Ravel (041-227 5511).

LONDON

THEATRE
● Philadelphia, Here I Come!: Dan Crawford's excellent production of Brian Friel's poignant, autobiographical 1964 play comes to the West End after a six-week run at the King's Head in north London. Opens Tue (Wyndham's 071-867 1116).
● Shades: Pauline Collins stars in Sharman MacDonald's new play about claustrophobic family relationships, directed by Simon Callow. Opens tonight (Albery 071-867 1115).
● Columbus: Jonathan Hyde takes the title role in Richard Nelson's epic new play for the *Royal Shakespeare Company.* In repertory with Romeo and Juliet (Barbican 071-638 8891).
● Lady Be Good: Gershwin's classic musical, starring Bernard Cribbins, opens next week in Regent's Park (Open Air 071-486 2431).
● A Misummer Night's Dream: Robert Lepage directs the National Theatre's new Shakespeare production. In repertory with George Farquhar's The Recruiting Officer and G B Shaw's Pygmalion (Olivier, 071-928 2252).
● For ticket information about all West End shows, phone Theatreline from anywhere in the *UK: Plays 0836 430959* Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962.
DANCE
Covent Garden 19.30 Royal Ballet in Kenneth MacMillan's production of Romeo and Juliet, *with Sylvie Guillem, also Sat.* Tomorrow: mixed bill including MacMillan's Elite Syncopations. Season runs till Aug 8 (071-240 1066).
Coliseum 19.30 Alvin Ailey American Dance Theater mixed bill. Season runs till Aug 1 (071-240 5258).
● Tomorrow at Royal Festival Hall: English National Ballet opens a month of performances with Ben Stevenson's production of Cinderella (071-928 8800). Sun and Mon at Bloomsbury Theatre: Prague Festival Ballet in three choreographies by David Slobaspyckyj (071-387 9629).
PROM CONCERTS
Tonight at 19.30, Richard Hickox *conducts the BBC Welsh* Symphony Orchestra and Chorus in John Taverner's new choral work and Beethoven's Fifth Piano Concerto (John Lill). Tomorrow and Sat: Christoph von Dohnanyi conducts the Cleveland Orchestra. Sun: semi-staged performance of Glyndebourne production of The Queen of Spades. Mon: Oliver Knussen conducts the BBCSO. Next week's concerts feature the Budapest Festival Orchestra, the Royal Liverpool Philharmonic and a John Casken world premiere (Royal Albert Hall 071-823 9998). Tomorrow in **Barbican:** King's Singers. Sat: *Neville Marriner conducts the* Academy of St Martin in the Fields. Sun: Ted Heath Band (071-638 8891).

MARTINA FRANCA

FESTIVAL DELLA VALLE D'ITRIA
The festival opens on Saturday with the first of three performances of Gounod's Romeo et Juliette. On Sunday, Fabio Luisi conducts the first of two performances of Cimarosa's Il matrimonio segreto. Monday's programme is a concert performance of Rossini's little-known Demetrio e Polibio. Between Aug 1 and 4, there will be daily choral concerts in the Cattedrali Barocche della Puglia featuring sacred works by two 18th century Italian composers, Pergolesi and Cafaro. The festival ends on Aug 6 (Palazzo Ducale, 74015 Martina Franca. Tel 80-705100).

SANTANDER

The annual Santander Festival in Spain opens tomorrow with a concert by the Schleswig Holstein Festival Orchestra conducted by Georg Solti. Lorin Maazel conducts the Pittsburgh Symphony Orchestra in Porgy and Bess with Simon Estes (Aug 4) and a Mahler programme (Aug 9). The focus will be on Spanish and Latin American music, including a zarzuela anthology with Alfredo Kraus. The dance programme includes the Martha Graham and Alvin Ailey companies (July 31 to Aug 4), Cuban National Ballet and Ballet *de Monte Carlo (42-210508).*

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday July 23 1992

From chronic to critical

THE ITALIAN state is on the brink, both financially and morally. But amid the stale and corrupt atmosphere of Italy's politics, Professor Giuliano Amato represents a breath of fresh air. The new prime minister knows his country is fast heading for a financial crisis and wants to prevent it. Yet his budget plans are too small to make more than a small dent in the bloated budget deficit; and his admirable vigour has blown away the veil of complacency that masked the eyes of the world's financial markets, making his task even more difficult. Success requires emphatic parliamentary support for a more ambitious budget package. Failure remains the more likely outcome.

Italy has been living on borrowed time for almost a decade. Membership of Europe's exchange rate mechanism signifies Italy's determination to remain at Europe's centre. But its politicians have never been able to modernise and slim down the Italian state along European lines. Instead, the ERM and the abolition of capital controls have removed the inflation tax as a source of revenue to fund the Italian state. Rather than cut spending or find new sources of tax revenue, its politicians have been borrowing at an accelerating and unsustainable rate.

Italy's bluff would inevitably have been called sooner or later. It is the only European country in which the stock of government debt both exceeds the annual output of the entire economy and is still rising. Already, in the first four months of 1992, the budget deficit was overshooting its target range by more than 50 per cent.

Yet, ironically, the markets have turned against the lira just when a government appears finally to have realised the seriousness of Italy's plight. The differential between Italian and German short-term interest rates has grown by 5 percentage points since the end of April and by more than 3 percentage points in the past three weeks. And the lira remains close to the bottom of its permitted range within the ERM.

The markets' nervousness reflects, in part, the government's weakness. Mr Amato's team of technocrats, backed by only a slim parliamentary majority, looks feeble set against the massed parliamentary representatives of Italy's complacent vested interests. Yet the government has also made mistakes. Its privatisation plans remain vague, while the clumsy handling of the partial debt default by Efim, the state holding company, can only undermine investor confidence.

Most important, the government's proposed budget package is too small even to stabilise Italy's debt stock this year, let alone start to reduce it. A stable debt ratio is a minimum requirement if the markets are to be pacified. But the L30,000bn in extra taxes and spending cuts is only half the figure that would be required to do the job. Even if parliament agrees to Mr Amato's package, the deficit will remain in double figures while the primary budget, excluding interest payments, will remain in rough balance. Stabilising the debt ratio would require a primary budget surplus of at least 2-3 per cent.

The government, as a result, finds itself locked in a vicious circle of rising interest rates, slower growth and rising deficits and debt. Every 1 percentage point rise in interest rates adds another L15,000bn to the government's interest bill, pushing the required primary surplus ever higher.

Italy must regain the confidence of the financial markets. It cannot afford to wait until next year's budget to introduce reforms which will set the debt stock on a downward path. To give in to market pressure and devalue the lira, without first putting in place a serious fiscal package, would only further undermine confidence and accelerate inflation. But it cannot go back to the good old days of capital controls, low interest rates and high inflation without waving goodbye to the ERM.

An additional budget package of pensions reform and extra direct taxation is required on a scale which would together cut the budget deficit by a further 3 percentage points this year. This package should be presented to parliament as a vote of confidence in the Italian state, a vote for modernisation and against accelerating inflation. Mr Amato represents Italy's last best hope of avoiding a financial calamity.

Fiscal struggle

THE GOVERNMENT is desperately trying to regain the control over public finances that it lost in the run-up to the election. That is the most important point to draw from yesterday's announcement, which confirms last year's target for the planning total for 1993-94; sets nominal increases of only around 3 per cent for the following two years; imposes a new top-down planning procedure; and establishes a committee chaired by the chancellor to oversee the whole process of expenditure control.

Confirmation of last autumn's target of £244.5bn for the planning total for 1993-94 would, if successfully carried through in the forthcoming expenditure round, at least end the period when successive upward adjustments had become normal. But without an early and strong economic recovery, it will not be enough.

Nor, given the 4 per cent real increase between 1992-93 and 1993-94 already built in to the figures, is it quite as tough as it looks. The new cabinet committee will have much hard bargaining this year, but that will only be the start of its problems. Meeting the targets for 1994-95 and 1995-96 will be still more difficult.

Last year's spending round was a soggy, election-buying affair, which allowed an increase of £5.6bn in the government's planning total for 1992-93 and of £13bn in that for 1993-94. These upward adjustments were only partly cyclical. Taking a longer perspective, the latest OECD Economic Outlook argues that there was a structural deterioration of almost 2 percentage points of GDP in the UK's overall fiscal position between 1989 and 1992.

This would have had to stop, in any case. But with the public sector borrowing requirement likely to exceed 5 per cent of gross domestic product this year and to be still larger in 1993-94, it has had to stop sooner rather than later. The most important problem is the lack of economic growth. Only four months ago the chancellor forecast real GDP growth at 2 per cent between 1991-92 and 1992-93 and 3¼ per cent in the following year. Now there may be no growth this financial year and little next year too. GDP could thus be considerably smaller than the chancellor hoped, which would make earlier spending plans correspondingly untenable. In the long run public spending cannot be allowed to rise faster than GDP.

This is a government which has its back against the fiscal wall and knows it. It is starting to fight back. But the battle will be very hard and everything still depends on that elusive recovery.

Press in the dock

THE PRESS Complaints Commission has again failed to cover itself in glory. A few weeks ago this voluntary body for the self-regulation of the British press met in haste. It decided in accordance with what it regarded as the prevailing winds that it had to issue a statement about intrusion into the private affairs of Princess Diana. A bit of wrist-slapping followed. Yesterday it met again, this time to talk, so it was said, about privacy – but not, heaven forfend, about the past few days of media reports and allegations about Mr David Mellor's private life.

It seems that the prevailing winds have changed. The commission decided that "in the case of politicians, the public has a right to be informed about private behaviour which affects or may affect the conduct of public business." It thus provided an afternoon delight for the editors of Britain's tabloids, a quick piece of work that amended clause 4 of the code of conduct that the commission exists to uphold. A strict reading of the clause suggests that what has been written about the "minister for fun" is outside the code. This presented no difficulty to a commission sorely afraid of its press-appointed members. It has simply excluded politicians from the protection of the code.

The remedy for this is to demonstrate that not every quarry falls to the popular pack. Mr Mellor should stay in office, difficult though this may be in the light of the daily revelations about his private life and that of his family. There remains, however, another issue, for which a different remedy must apply. This is the accusation made by Mr Kelvin MacKenzie, editor of The Sun, that during the election campaign a cabinet minister telephoned in a list of names of women with whom, it was falsely alleged, Mr Paddy Ashdown was involved. This story of an attempted smear is an extremely serious charge. If Mr MacKenzie has made a sustainable case he should name the guilty minister – or shut up.

The approval of Nestlé's bid for Perrier has implications for EC competition laws, say **Guy de Jonquières** and **Andrew Hill**

Source of change for mergers

Both Nestlé and Brussels can claim victory from the European Commission's approval yesterday of the Swiss food company's FFr15.46bn (£1.58bn) acquisition of Perrier, France's biggest mineral water group. But while Nestlé has cleared an immediate obstacle to one particular deal, Brussels stands to gain an important extension of its merger control powers, which will have a broad and enduring impact on Europe's industrial landscape.

Although the decision obliges Nestlé to sell some of Perrier's businesses, it can keep those it most wants. As well as Perrier's well-known sparkling water, they include big brands such as Contrexéville and the French group's extensive mineral-water interests in the US, which are at least as valuable.

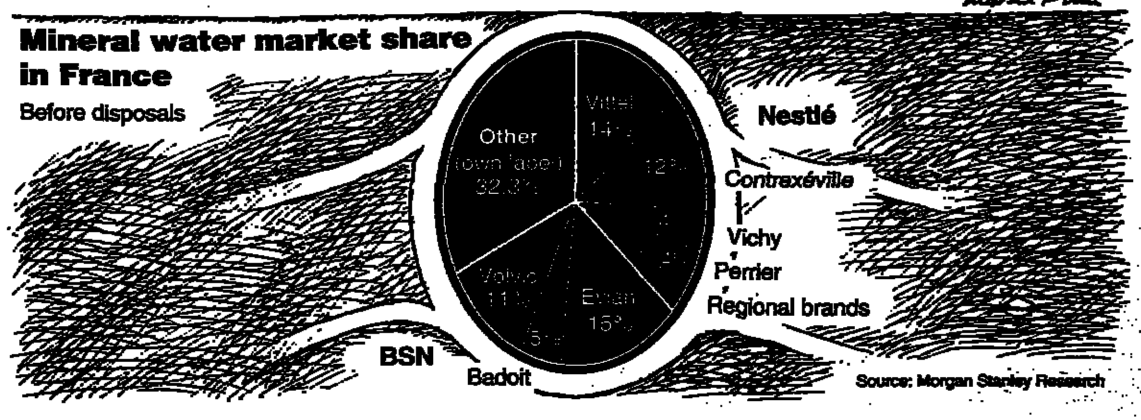
Equally important, Nestlé's politically sensitive relationship with BSN, France's largest food group, remains intact. Mr Antoine Riboud, BSN's chairman, played a pivotal role in helping Nestlé defeat a rival bid for Perrier by the Italian Agnelli family earlier this year. In return, Mr Helmut Maucher, Nestlé's chairman, agreed to sell Volvic, Perrier's second-largest brand, to BSN.

However, that agreement threatened to scupper the deal, which was challenged by Brussels on the grounds that it would give Nestlé and BSN a duopoly of the French mineral-water market. Had the Commission's merger watchdogs insisted that Nestlé cancel the Volvic sale, that could have jeopardised the economics of the takeover and unleashed a political fracas in France.

Indeed, Brussels may be accused of yielding to political expediency by letting Nestlé and BSN off lightly, so as not to rock the boat ahead of France's referendum on *the Maastricht treaty in September*. Even after the planned disposals, the two companies will together control more than two-thirds of current French mineral water production.

However, for the Commission, the case sets an important long-term precedent. For the first time, Brussels has explicitly made clear its intention to challenge mergers on the grounds that they would create not just a simple monopoly or dominant position, but an oligopoly, in which several producers jointly dominate a market.

Competition policy experts agree that this is a landmark development, which should in theory enable Brussels to apply the two-year-old EC merger regulation to large cross-border deals in any industry where the number of competitors is limited. Furthermore, such mergers may be challenged if they threaten competition in only one country, not the whole EC market.



Some companies believe the result will be heightened regulatory uncertainty, and at worst severe restrictions on their future expansion.

"I think there will be some very major implications for industries like oil," says Mr Stephen Walzer, British Petroleum's manager of international legal affairs. "It effectively means that continued expansion by acquisition is out."

Mr Derek Ridyard of Nera, an economic consultancy, says the impact will be felt in any business where high capital costs limit competitive entry. It is also likely to affect airlines and consumer industries such as food, where many product categories are dominated by three or four big brands.

Many experts question the legal basis of the Commission's new approach, pointing out that the EC merger regulation nowhere refers to joint dominance or oligopoly. "This is another example of Brussels pushing the boundaries further than anyone had anticipated from reading the text," says Mr David Hall, a partner in Linklaters & Paines, a leading British law firm. Nestlé has angrily accused the Commission of changing the rules in the middle of the game.

Sir Leon Brittan, the competition commissioner, insists the approach is consistent with the merger regulation, and that he is simply bringing EC policy into line with the practice in countries such as Britain, France, Germany and the US. In all these countries, he says, regulators can challenge oligopolies, although only in Germany does legislation explicitly give them the right to do so.

While this view is widely shared by Sir Leon's colleagues, some are concerned by his insistence that Brussels approve the buyer of the Perrier brands which Nestlé must sell. In their eyes, this smacks of excessive interventionism.

What is clear from the growing debate, both within and outside the Commission, is that EC merger policy is advancing into uncharted territory, where the guidelines may be defined largely by the success of Brussels' efforts to test the limits of its powers.

That prospect disturbs competition lawyers. However, many are torn over how loudly to protest. In practice, they admit that the special Commission task force responsible for enforcing the merger regulation has so far behaved with exemplary fairness and pragmatism.

"You may not always get the results you want, but the system is quick, it's usually definitive and you can talk to the people involved," says one lawyer, who contrasts the task force's attitude favourably with the rigid and doctrinaire approach of EC officials dealing with other aspects of competition policy.

Indeed, since the regulation took effect, the Commission has so far investigated in depth only eight of the roughly 100 deals notified to it – and blocked only one. This was the takeover of de Havilland, the Canadian aircraft manufacturer, by Aérospatiale of France and Alenia of Italy.

However, much depends on the attitudes of the individuals in charge of policy. Sir Leon's current term as competition commissioner expires at the end of this year, and Mr Colin Overbury is due to retire as head of the merger task force in the next 12 months. There is no guarantee that their successors will follow the same line.

Many experts believe these uncertainties increase the need for an objective review of EC merger policy, to make it more transparent, predictable and accountable. Under the EC system, that responsibility lies with the European Court of Justice.

However, the Court's past decisions offer only sketchy guidance on the oligopoly question, and it has yet to rule on the Commission's interpretation of the merger regulation.

That is because the Court can only act on specific cases presented to it, and none of the mergers Brussels has vetted so far has given rise to such a challenge.

Because Court proceedings are lengthy and expensive, the Commission's powers may not be clarified until a frustrated acquirer decides formally to contest them. For the growing number of companies and lawyers who are worried that EC merger policy is in danger of becoming an unguided weapon, that day cannot come too soon.

Water market flows

Whatever their misgivings about the way yesterday's decision was reached, Nestlé and BSN have reason to cheer the outcome. For both companies, approval of the deal opens the way to further expansion in a growing and immensely profitable business.

Mineral waters have long been popular in much of continental Europe. But in the past decade, the habit spread rapidly to other countries including the US, Britain and Japan.

Though recession has dampened growth rates, which were running as high as 15 per cent a year in the late 1980s, industry experts believe consumers' concerns with health and the quality of tap water still provide plenty of longer-term potential.

Nestlé first entered the market in 1969 by buying a share of the French Vittel company, of which it acquired full control two years ago. But though Nestlé is the world's biggest producer of chocolate, dairy products and soluble coffee, it has remained until now a marginal player in mineral water.

The business requires heavy investments in marketing, making it cheaper and quicker to grow by acquiring existing brands than by launching new ones. When Perrier became available earlier this year, it offered Nestlé a once-in-a-lifetime opportunity to achieve world leadership.

Perrier owns some of the strongest brands in the business. But its performance has been depressed since a benzene scare savaged its profits two years ago, while the company has struggled for several years to make a go of the string of bottled water companies which it acquired in the US.

Under Nestlé's ownership, results are expected to recover sharply. There are substantial savings to be made by combining distribution of water from the Vittel and Contrexéville springs in eastern France, while Nestlé's powerful marketing and distribution clout should boost Perrier's sales and profits, particularly in the US.

The scope for improvement is indicated by the operating margins of 20 per cent or more which BSN has long earned on mineral water. However, Mr Sylvain Massot, drinks analyst with Morgan Stanley, points out that BSN's impressive performance masks a problem.

Profits in mineral water depend heavily on being able to keep bottling plants fully loaded, and BSN's results have been so good partly because several of its springs are operating close to capacity.

Output of its Badoit water can no longer be increased without risking damage to the spring, while Evian, BSN's biggest brand, is also expected to hit production constraints in a few years.

BSN's planned acquisition of Volvic from Nestlé will relieve some of the pressure. Not only is Volvic a firmly established brand, with about 11 per cent of the French market, but its spring is still operating well below capacity.

BOOK REVIEW

No premium on merit

FOR WHOM THE BELL TOLLS: the lessons of Lloyd's of London
By Jonathan Mantle
Sinclair Stevenson, £18

NIGHTMARE ON LIME STREET: whatever happened to Lloyd's of London
By Cathy Gunn
Smith Gryphon, £15.99

Lloyd's of London, Britain's insurance market, faces a crisis of historic proportions. Record losses have been made, hundreds of Names – the individuals who stake their personal fortunes on *its* fortunes – face financial disaster, and hundreds more are opting to leave the market, threatening a long-term erosion of the capital base.

The depth of the crisis (and repeated warnings from angry Names that the market is poised on the brink of meltdown) has attracted media attention.

Jonathan Mantle and Cathy Gunn have written the first two of what promises to be a steady stream of books on Lloyd's. Neither For Whom The Bell Tolls nor Nightmare On Lime Street are without their merits.

Gunn's somewhat breathless account has clearly been written at speed. But it does contain a good assessment of the damage done to Lloyd's by American asbestos claims, pollution and lawyers, as well as detailed accounts of such matters as the use of new technology at the Lloyd's market.

Mantle's early pages provide an entertaining history of the Lloyd's market, full of telling details: the way, for example, that at the end of the second world war, underwriters "made a fortune" by selling "buzz bomb" policies covering Londoners against death or loss of limb – 'death and spare parts' – from V1 and V2 rocket bomb attacks. Mantle weaves the history of Lloyd's by telling the stories of loss-making Names. This is an effective narrative device, and lends shape and coherence to the account.

But both books contain serious weaknesses. Both have been overtaken by recent events. Two independent reports into regulation and management at Lloyd's, which will decisively influence the market's shape, were published days after Nightmare On Lime Street and For Whom The Bell Tolls appeared in bookshops.

Though the authors can scarcely be blamed for this, both books have other shortcomings. For Whom the Bell Tolls is littered with minor factual errors. *At the beginning of the* book, Mantle claims that John Julius Angerstein became chairman of Lloyd's in the 1720s, not the correct year of 1795, and again, erroneously, that the 1906 San Francisco earthquake produced cargo rather than fire claims.

Mantle also seems to be unaware of the existence of specialist commercial insurance and reinsurance companies, repeatedly implying that Lloyd's and the London market are one and the same thing.

His purportedly "exclusive" account of the Piper Alpha disaster in July 1988 and the operation of the spiral – the mechanism by which Lloyd's syndicates and companies reinsured each other's exposure to catastrophe losses – fails to mention the significant participation – and losses – of reinsurance companies.

Neither author gets to grips with the central business problems faced by Lloyd's. Mantle's failure is particularly conspicuous because he tells the story of Lloyd's problems purely from the vantage point of the worst hit and most vociferous Names.

While the views of outside Names are accepted on face value and quoted at length, there is little evidence that Mantle has talked to anybody who works at Lloyd's. Of the 86 sources listed at the beginning of his book, few, if any, are active underwriters or brokers.

Not surprisingly, Mantle fails to describe adequately, or to analyse, the peculiar business structure of the market, in which the relationship between the Name and the agent is probably a unique form of capitalist association.

Instead he lumps agents, the market, syndicates, and the corporation together in a catch-all category of the establishment. This elite of greedy and morally bankrupt insiders collectively conspires to the *detriment of thousands of gullible* and defenceless investors, Mantle indicates.

To criticise this approach is not to suggest that the working Names do not, on average, do better than outsiders, or that all in the Lloyd's garden is rosy. As a report by a committee headed by Sir David Walker, the outgoing chairman of the Securities and Investment Board, made clear earlier this month, insiders "tended overall to fare better than external Names", though not "in general and in most years, on an immodest scale given [their] inevitably superior market knowledge".

Sir David's report also contains trenchant criticisms of the way Lloyd's has conducted its business – poor management by agencies, poor underwriting by underwriters and inadequate regulation.

But Mantle's obsession with conspiracy blinds him to these serious issues and lets those responsible off the hook.

Richard Lapper

ENERGY
SPECIAL DISPLAY
at
INDIA
INTERNATIONAL TRADE FAIR
November 14-25, 1992

It pays to participate in India's premier international trade show—India International Trade Fair. Display your equipment, machinery and technologies related to energy production, conservation and management to business visitors looking for devices and ideas to cut costs in energy production and management.

The display would cover the following:

A. Energy Production & Technological Upgradation
— Energy from Coal
— Energy from Oil & Natural Gas
— Energy from Non-Conventional Sources

B. Energy Management & Conservation
— Agricultural Sector
— Industrial Sector
— Transport Sector
— Domestic Sector

OTHER HIGHLIGHTS
— Participation by nearly 20 countries at national level, Indian States/Union Territories, Government Departments, Public Sector and Private Enterprises.
— 'Techmart' emphasising small scale industry's contribution to the national economy and foreign trade.
— Display on 'Good Living'—covering a wide range of consumer articles from cosmetics to household appliances, giftware to entertainment electronics.

PARTICIPATION CHARGES
A. US$ 100 per sq. meter for covered bare space (Non Airconditioned).
B. US$ 35 per sq. meter for open paved area. Electricity/Power charges extra.

For more details, please contact:
Manager (IITF)
INDIA TRADE PROMOTION ORGANISATION
(Former Trade Fair Authority of India & Trade Development Authority)
Pragati Bhawan, Pragati Maidan, New Delhi-110001
Telex: 031-61022, 61311
Fax: 011-3318142

ECONOMIC VIEWPOINT

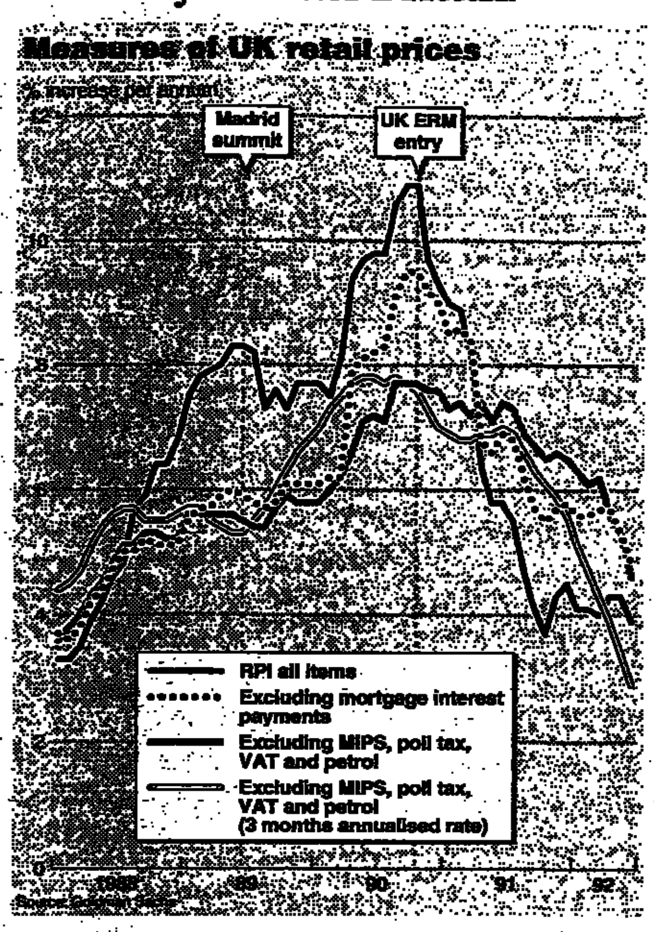
Financial talking classes lack credibility

By Samuel Brittan

Whenever a real chance appears of regaining price stability, so-called opinion formers lose heart and ask: what is wrong with a little inflation? The worst offenders are the financial talking classes, and it is they rather than the government that display the main credibility gap.

Most human endeavours fail; but that is no reason for gloating at the prospect of defeat when there is the best chance of success in more than a generation. Shakespeare's Henry V said before Agincourt: "He which hath no stomach to this fight, let him depart." If it were a financial battlefield in Britain, it would be deserted before a shot had been fired.

Saying why inflation is bad is a thankless task: not because the arguments are weak, but because they are stronger than any one person is able to call to mind at any one time. They resemble the case for honesty or sanctity of contract in that they embody far more accumulated human wisdom than any one person can hope to command. For practical purposes, however, we need only recall the remark of Eugene Black, an early head of the World Bank, that a little inflation is like a little pregnancy; it is liable to increase.



Tim Congdon has in the July Gerrard and National Economic Review made a valiant attempt to give some specific instances of the harm done by inflation continuing to hover around 2 or 3 per cent per annum. The first is in the labour market, where the whole iniquitous institution of the annual pay round is based on the assumption of permanent inflation. The practice takes up scarce management time and is the most important reason for union activities.

He also points to the key importance of the interest rate assumption in any long-term contract. Unpredictable oscillations in inflation between zero and 5 per cent "would remain a costly nuisance to savers and investors and to companies and their banks". High and volatile inflation is not the only reason for the state of the world banking system – credit sprees followed by painful contractions occurred under the Gold Standard – but it has made a powerful contribution.

To my mind, the clinching argument is that there is no long-term trade-off – in plain English, no true choice – between inflation and unemployment. If so, we might as well enjoy the benefits of stable prices without an endless debate on what they are.

Few would deny that there is a transitional cost of reducing inflation in terms of recession and high unemployment – monetarists, moreover, betray their most cherished principles when they speak as if the cost could be avoided by leaving the ERM. There is, however, plenty of casual evidence that the effort to reduce inflation hits a resistance barrier when any government tries to go below the creeping rate to which we have become used even in the better periods since the second world war.

One conspicuous example is the perversity of commercial landlords who insist on fierce rent increases for small businesses when contracts are renegotiated because their universe is bounded by the assumption of continuing substantial inflation.

> **A little bit of inflation is like a little bit of pregnancy; it is liable to increase**

The desire not to prolong the transitional agony longer than necessary is one reason for wanting to know when the goal of stable prices has been achieved. We are not very well served by the Consumer Price Indices, the British version of which is known as the Retail Prices Index. How ambiguous the message is from such indicators is shown in the chart.

The headline measure saw an apparent trebling of the inflation rate from 3.3 per cent at the beginning of 1988 to 10.9 per cent in the autumn of 1990, followed by a collapse to 3.9 per cent this June. If we take off transitory knock-on influences such as mortgage interest rate changes, the poll tax, VAT increases and the Gulf-induced fluctuations in petrol prices, we get a much smoother picture of inflation.

There are other problems today. On a 12-month basis, the underlying rate is still well above the headline one; on the basis of more recent evidence it is below it.

The British problem with the RPI is far from unprecedented. Professor Robert Gordon reminds us of a much worse problem that the US had before 1983.* The country's Consumer Price Index then made the fatal error of treating home-owners as if they were all paying an adjustable-rate mortgage.

The distortion reached a maximum in the first quarter of 1980 when the CPI registered an annual rate of increase close to 18 per cent at a time when the GNP deflator never exceeded 9.3 per cent. The bad CPI news "led a panicked Carter administration to impose temporary credit controls, which in turn caused a sharp V-shaped recession". By contrast the Fed, under Paul Volcker, maintained a steadfast policy throughout 1979-82 that ignored temporary shifts in the CPI and instead went by the underlying measures.

This episode not only led to a complete revision of the treatment of housing in the US CPI, but to greater emphasis on alternative measures including a "core" inflation rate. Gordon says that the surest recipe for transition to Brazilian-type inflation is an unholy quartet of monetary accommodation, supply shocks, full indexation of public sector wages and transfer payments, and "incorrect inflation measures that allow higher nominal interest rates and indirect taxes to feed into measured inflation, fuelling the spiral of higher wages, benefits and prices". The author recommends an alternative CPI for policymakers in every country "that excludes interest rates, indirect taxes and, optionally, food and energy costs".

There are, however, even more important long-term problems. Most consumer price indices try to adjust for quality improvement, but with incomplete success. The author believes that US consumer durables have been improving in quality by roughly 1.5 per cent per annum over and above anything reflected in the CPI. The rate of American inflation is also overstated by what he calls "outlet substitution bias", for example a shift in US retailing to discount chains and other new outlets which is wrongly perceived as a move down-market. He disputes the frequently expressed view that there has been no increase in US real wages for 20 years, by attributing this stagnation to an upward bias in the price index.

For policy purposes we need more up-to-date and better publicised versions of the underlying inflation indicators, which CPI and RPI measures rarely are. But as far as the long-term goal is concerned, I doubt if we can do better than follow the Alan Greenspan test of regarding stable prices as a state of affairs where inflation no longer plays a significant role in business calculations. This avoids prejudging the question of exactly which particular rate needs to be established in which particular index. We shall know all right when the Greenspan conditions have been established. We still have a long way to go.

**Measuring the Aggregate Price Level, CEPR, 25, Old Burlington St, London, W1X 1LB.*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Psychology and City fraud

From Nigel N Graham Maw.

Sir, In your leader, "From fraud to farce" (July 17), you say, with reference to the Roskill report's recommendation of trying City fraud cases before a judge and expert lay assessors (rather than a traditional jury), that expert assessors, namely "lawyers, accountants and City practitioners of one kind or another . . ." would be less than human if they did not "identify more closely with City people in the dock than a jury would be inclined to do".

I suggest, with respect, that this statement reveals a fundamental misunderstanding of human psychology.

Expert assessors would, I am convinced, approach this task with a healthy wish to see the City's reputation upheld and enhanced, tempered (on breaches of a technical nature) by feelings of "there for the grace of God . . ." Their judgment would not be confused by a plethora of facts and issues (to which they would be no strangers) nor by irrelevancies or special pleading.

They would know what was right and what was wrong. Identifying more closely with what was objectively right than with personalities.

Test the issue this way: if you were a defendant in a City fraud case, would you (if given the choice) elect for trial by judge and traditional jury or by judge and expert assessors?

Justice, speed, efficiency and cost-saving dictate that the latter should be imposed.

I end as you did: "The government should put the job in hand."

Nigel N Graham Maw,
*20 Blackfriars Lane,
London EC4V 6HD*

Only a joke

From Mr David Blake.

Sir, Is it not time somebody told the chancellor of the exchequer that when Keynes said "Everything balances at zero" he was making a joke, not recommending a policy.

David Blake,
*The European,
5 New Fetter Lane,
London EC4A 1AP*

Benefits of performance-related pay undermined by recession

From Dr Michael Rowlinson and others.

Sir, The impression given by Michael Smith "You pays your money . . ." (July 20) is that if they are introduced properly, following his handy check-list, then individual performance-related pay schemes can overcome the problems they have *encountered up until now. Like* so much prescriptive management literature this assumes that all problems and contradictions can be avoided by management foresight. Our research in manufacturing companies raises issues which tend to undermine this view.

First, PRP schemes have run into difficulties because of the recession and the need for companies to limit pay rises due to profit constraints. This has exposed the problem for PRP schemes of relating individual objectives to overall company performance. Individuals may achieve all of their objectives, show strong commitment and get outstanding *performance appraisals*, but due to economic circumstances beyond their control find their company is in no position to reward such "good" employees.

Second, in common with many of the culture change programmes put forward by management consultants, PRP probably requires the type of culture it is intended to promote to be already in place in order for it to be accepted. For example, blue collar workers may not be used to the intimacy with their managers needed between appraisers and appraisees. Many disinterested commentators doubt whether corporate culture can be managed, but it is least likely to be changed by anything so prosaic as a payment scheme.

Michael Rowlinson,
Department of Sociology and Social Policy, University of Southampton.
Dr Stephen Procter, Prof John Hassard, Louise McArdle and Paul Forrester,
Department of Management, Keele University

Abta funds in healthy state

From Mr Michael Grindrod.

Sir, You reported ("Plans to widen rescue funds for package tour customers", July 22) that a new fund has been proposed to add further protection for package holidaymakers.

However, your story comments on difficulties in the travel trade "with the Association of British Travel Agents recently admitting that its passenger rescue fund will be exhausted if another holiday group collapsed". The fund which your story refers to is indeed the Air Travel Trust Fund, which is administered by the Civil Aviation Authority – not Abta. May I assure you and your readers that Abta's funds are in a very healthy state and, as indeed your article goes on to confirm, the association has access to bonds of a value of up to £400m.

Michael Grindrod,
*president,
Abta,
55-57 Newman Street,
London W1P 4AH*

Dangerous to believe no justification for UK to leave ERM

From Mr Patrick Dennis.

Sir, Samuel Brittan's belief ("Don't look for gurus", July 20) that with nominal national incomes rising by 5 per cent and earnings by 6.5 per cent there is no justification to leaving the ERM is wrong and dangerous. Yes, there is still a big labour market problem in Britain in the sense that earnings growth should be reduced further, leading to falling real wages rather than sharply rising unemployment. However, this is a problem that should largely be attended to directly (ie at the micro level) rather than via the mechanism of the ERM, especially under current economic conditions. The twin impact of high real interest rates, which are heading for 7 per cent as inflation expectations are falling, and massive personal and corporate debt which is not being reduced with such low inflation, means that remaining in the ERM could result in irreparable damage to the supply side of the economy. Potentially, mistakes of the 1930s could be repeated of deflating in a depression. Low inflation will not guarantee a recovery and the aim of zero inflation should not be sought.

There are advantages and disadvantages of fixed exchange rate systems and which are more important depends on the particular economic (as well as political) situation. For the UK, devaluation and, therefore, in effect leaving the ERM, is unlikely to be considered before things get much worse – unless the French referendum is negative – because of the domestic political implications for Mr Major and Mr Lamont on the UK's consequent isolationism on Europe and damage to its anti-inflation credibility. Next year, though, could see the UK economy suffer new problems with growing difficulties over the financial system and this may result in the UK leaving the ERM unilaterally, if the failure of Maastricht has not already destroyed the ERM.

Finally, I agree with Mr Brittan that France should feel more aggrieved than the UK about the impact of Bundesbank policy on French real interest rates given its superior inflation performance, but this is hardly the point. The greater damage to the UK economy means it is crying out for lower interest rates.

Patrick Dennis,
*chief economist,
Industrial Bank of Japan,
Bracken House, 1 Friday Street,
London EC4M 9JA*

OBSERVER

Warburg's insider

■ Once again the House of Warburg has made a novel choice to head its US investment banking business. It has hired Thomas Wyman, 62-year-old ex-boss of the CBS media giant, to be chairman of Warburg & Co Inc.

Warburg, like most of its American and European rivals, has in the past given its top US job either to insiders from the securities industry or big financial figures like Anthony Solomon, former chief of the New York Fed.

So why Wyman? The explanation lies in Warburg's ambitions in America, where it remains (like other European houses) a small player alongside the large Wall Street investment banks. Nick Verey, an old Rowe and Pitman hand now recalled to do great things back home, is credited with building up both the number and quality of its staff, which has risen from around 200 five years ago to around 350. First Michigan's Perrin Long, an old Wall Street watcher, says the impression is that they're doing a "pretty good job".

Critics, however, suggest Warburg still isn't aggressive enough by Wall Street standards and needs more clout inside US boardrooms. This is where Wyman comes in. He knows Warburg well, having sat on the parent board for four years besides holding directorships at American Telephone & Telegraph, General Motors and ICI.

Face shift

■ Guess whose face beams out from civil service recruiting brochures as one who rose to the mandarin heights despite lacking a degree? The answer is Sir Peter Kemp, whom Citizen's Charter minister William Waldegrave has ousted as his top official after publicly praising him only on Monday as an outstanding success.

Kemp's successor, Richard Mottram, is at least a graduate although not from the customary Oxbridge finishing school. His degree is from that erstwhile hotbed of redbrick radicalism, Keele University.

His main claim to fame is that he was the star prosecution witness in the trial of former civil servant Clive Ponting over the leakage of documents on the torpedoing of the Argentine cruiser General Belgrano during the Falklands war.

As private secretary to the then defence minister Michael Heseltine, Mottram was grilled for four hours *in camera* over the so-called "Crown Jewels", a top-secret document dealing with the events leading up to the sinking.

Dealing with Waldegrave should be a breeze in comparison.

Vanishing lady

■ No one knows if British Coal really will have to slim itself down from its current 50 mines to perhaps a dozen big pits. And even if it does, few are prepared to stick their necks out and name the long-term survivors.

It's not so long ago that Britain dug its coal in colourful mines such as the Lady Windsor and Marine Six Bells, in South Wales, and Ledston Luck and Kinsley Drift, in Yorkshire. However, these names have been committed to the history books, and the list of pits scheduled to survive come hell or high water has the sound of a pretty boring bunch.

Observer's man at the coalface predicts that they will include Notts pits like Thoresby, Ollerton and Welbeck, Selby's Stillingfleet, Wistow and Riccall, and a few others such as Daw Mill in the Midlands and Tower in South Wales. Sadly, it doesn't sound like a place will be reserved for Yorkshire's Prince of Wales in the slimline British Coal Corporation.

"People who live beneath glass ceilings shouldn't throw stones"

Ae fareweel

■ There's no doubt many a "right gude-willie waught" being taken for auld lang syne at farewell parties in Scotland at the moment. Moreover, the departing guest is probably one of the minority of folk even north of the Border who knows what Burns's phrase means.

He is Seiichiro Otsuka, Japan's consul-general in Edinburgh since the consulate opened there last year, who's away next week to a senior post in Bangkok. Known to all around as Ichi, he has been a diplomatic triumph in Scotland, not least because of his consummate knowledge of its national poet.

Indeed, until his transfer came, he was aiming to cap his acclaimed performances at Burns Night suppers by winning September's contest in Dumfries for the best recitation of Tam o' Shanter. So translating "gude-willie waught" as goodwill drink should be child's play for him, whereas half of the FT's resident Scots available yesterday failed the test.

Never mind, though. He says he'll be looking for a Burns club in Thailand and if he can't find one, he'll found it.

Martins' recall

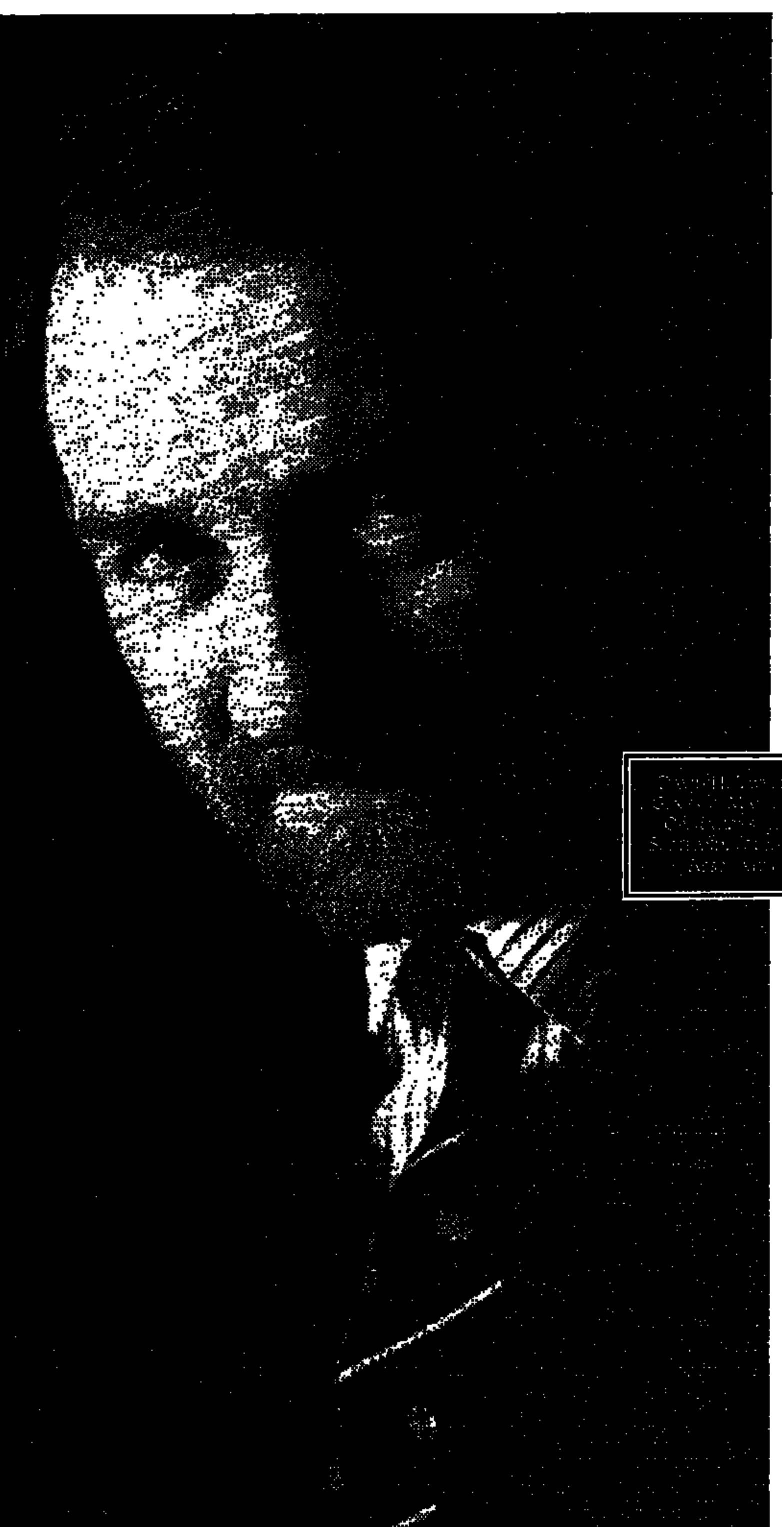
■ Nice to see another old Martins Bank man being parachuted into a difficult situation. Yorkshire-born Harry Taylor, who has been put on the board of troubled Union Discount, won his wings at Liverpool's Martins Bank, as did Brian Pearse, Midland's chief executive. But whereas Pearse struggled on after Barclays took over Martins, Taylor joined the Manufacturers Hanover Trust Company and nearly made it to the top of America's fourth biggest bank.

He is not in the same class as J P Morgan chairman Dennis Weatherstone, but for many years Taylor was regarded as the most successful British banker in the US. While younger readers may never have heard of Martins Bank, it was a super little regional outfit. Barclays lost a great name when it decided to merge it into its own business.

Horse's mouth

■ The programme has just been published for the inaugural workshop in the European Decade of Brain Research in Brussels. Chairing the September 22 session on anxiety and depression - J Angst from Switzerland.

Software Sovereign.



The Bank of Scotland is the UK's oldest independent clearing bank. Since 1695, it has provided general banking services to personal and business customers, achieving pre-tax profits this year of £141 million.

"The computer systems that support our services are of vital importance," says Tweedie. "And the software that supports these systems is absolutely fundamental."

The Bank uses a variety of Computer Associates' systems operations software for security, scheduling and tape management.

"Our business is completely dependent on CA-ACF2® security software and CA-7™ scheduling software, so the software has to be reliable," insists Tweedie.

The CA software has enabled his team to run their systems operations at optimum efficiency, helping the Bank to achieve the best cost-to-income ratio of the UK clearing banks.

And – having enjoyed a good 16-year relationship with CA – Tweedie is banking on CA to continue providing reliable software with multi-platform functionality in the future.

"They're very responsive to our needs, and have improved as they have become a more substantial and mature company."

He sums it all up: "Through the years, we have always evaluated CA software very thoroughly against competitive products. There are many criteria: it has to be functional and reliable; it has to interface with other software; and it has to be cost-effective.

"Since 1976, CA has consistently delivered this – and our business has certainly profited!"

COMPUTER® ASSOCIATES
Software superior by design.

© 1991 Copyright Computer Associates International, Inc. CA Computer Associates GmbH, Hauptverwaltung, Postfach 13 03 61, Marienburgstrasse 35, D-6100 Darmstadt, Deutschland. Telephone 06151 949-0.

LEYLAND DAF
Cost-effective vans and trucks from 2 to 200 tonnes, all with unrivalled Back - Up.
PERFECT FOR TODAY'S FINANCIAL TIMES

FINANCIAL TIMES
Thursday July 23 1992

LEYLAND DAF
Cost-effective vans and trucks from 2 to 200 tonnes, all with unrivalled Back - Up.
PERFECT FOR TODAY'S FINANCIAL TIMES

The cabinet minister, the actress and the free press

David Marsh says reports on an alleged affair have implications for political power in the UK

THE POLITICAL row in Britain over the alleged extra-marital improprieties of a cabinet minister appears, superficially, to represent one more example of the country's predilection for scandals mixing sex and politics.

The imbroglio over the private life of Mr David Mellor, the national heritage secretary, has led to an outbreak of hostility between the press and the government, adding to the troubles of Mr John Major, the prime minister.

On the one level, the affair seems just a tawdry distraction *from Britain's summer worrying* about the recession. The row does, however, have some deeper implications, involving the conduct of Britain's public life and *the balance of political power in* British society.

It has raised the stakes in a long-running battle over the freedom of the press – a subject which raises extreme passions among politicians and newspaper editors (if not among all that many of their readers).

The row was sparked off by press investigations into the relationship between Mr Mellor, whose ministerial responsibilities include examining the role of the *press, and an actress.*

The political uproar has spilled over this week into a separate tussle over alleged "dirty tricks" by the Conservative party against Mr Paddy Ashdown, the leader of the Liberal Democrats. In some ways, the affair is as British as a rain-washed cricket match. More than one ministerial resignation during the last 30 years has been brought about by press revelations of extra-marital liaisons. In the rest of Europe, ministers' sexual peccadillos are rarely, if ever, the object of press inquiry.

The basic issues in the two cases in the UK this week, however, centre on a commodity which is the stuff of politics everywhere – power.

Mr Mellor is the minister in charge of deciding whether or not the present system of newspaper self-regulation should be replaced by a statutory code to prevent the press intruding into the lives *of public figures. As a junior min*ister in the Home Office a few years ago, Mr Mellor gave a conspicuous warning that tabloid excesses might lead to statutory action to muzzle newspapers' reporting in certain areas.

Since then a book probing the marriage difficulties of the Prince and Princess of Wales has hardened Mr Major's view in favour of statutory action to curb infringements of privacy.

No one is suggesting Mr Mellor *was singled out for journalistic* sleuthing because of his ministerial responsibilities for checking on the need for press supervision. It is clear, however, that – whatever his ministerial future – the affair will limit Mr Mellor's ability to conduct a review of newspapers' role in society.

Picture: Tony Andrews

David Mellor: for the moment the press has the upper hand

The latest twist in the affair came with a statement on Tuesday by Mr Kelvin MacKenzie, the editor of The Sun newspaper. He alleged that during this spring's general election campaign an *unnamed cabinet minister had* tried to leak details, which turned out to be untrue, about Mr Ashdown's private life.

The Sun was a staunch supporter of the Conservatives during the poll campaign, but it also has a particular reputation for lurid sensationalism. Mr MacKenzie's statement appeared designed to put the government further on the defensive over the issue of newspaper curbs.

One important part of the British press is indicating that it *will brook no interference in* the way it runs its business. And the government, for the moment, has little choice but to accept that the media have the upper hand.

Baker praises Israel over settlements

By Tony Walker in Cairo

ISRAEL has indicated to the US that it will make a "severe and substantial reduction in settlement activity" in the occupied territories, Mr James Baker, the US secretary of state, said yesterday.

Speaking after a meeting with Mr Hosni Mubarak, Egypt's president, Mr Baker gave an upbeat assessment of steps taken by the new Israeli government towards Arab demands for a settlement freeze pending a resumption of peace talks.

"I am really very satisfied with the philosophy and the orientation of this new government of Israel towards the question of settlements and I am satisfied that you are going to see severe and substantial reduction in settlement activity," Mr Baker told reporters. Mr Baker's remarks were his most positive yet about *efforts by the new Israeli admin*istration to rein in settlement activity, and indicate that Israel has virtually assured itself of receiving US loan guarantees to help it absorb a flood of Soviet Jewish immigrants.

The Bush administration had withheld some \$10bn in guarantees because of the refusal of the previous government of Mr Yitzhak Shamir to halt settlements.

The secretary of state was also clearly using his Cairo press con*ference to signal to Arab states* and the Palestinians that Washington expected reciprocal goodwill gestures once peace talks resume, possibly as soon as next month.

"The results and the momentum are only going to be produced by the parties themselves sitting down at the table. But I am very optimistic that we have *an opportunity to see that hap*pens," Mr Baker said.

Israel and its Arab neighbours, including Syria, Lebanon and a Jordanian-Palestinian team, have conducted five rounds of desultory negotiations since the latest US-sponsored peace effort was launched in Madrid last October.

Mr Mubarak, while calling for more concrete steps by Israel to persuade the Arabs that it was sincere about halting settlement activity, also praised efforts by *Mr Yitzhak Rabin, the new* Israeli premier. "Do you expect the man to do miracles in one week?" he asked. "We should not be in a hurry. One week is not enough . . . please give him time."

Mr Rabin visited Cairo yesterday for the first summit between Israel and Egypt for six years in an effort to improve relations and advance peace efforts. Egypt is *the only Arab state to have made* peace with Israel.

Mr Baker flew to northern Syria late yesterday for a meeting with President Hafez al-Assad of Syria. Mr Assad is the key to US and Egyptian efforts to introduce a spirit of compromise to the negotiations. Syria, which fears attention will focus on the Palestinian issue at the expense of its own demands for the early return of the Golan Heights captured in the 1967 war, has warned *its fellow Arabs to treat warily* Israeli peace overtures.

The Syrians have summoned Arab foreign ministers to Damascus this weekend to try to ensure solidarity before the resumption of peace talks.

Building freeze nearer, Page 4

UK cabinet agrees tough new controls on state spending

By Peter Marsh and Alison Smith in London

THE UK CABINET yesterday agreed a tough new policy *intended to tighten control of* state spending.

Increases in government spending will be kept below the expected level of economic growth for *the next three financial* years and a new procedure for enforcing Treasury control will be introduced.

The new approach, put to the cabinet by *Mr Norman Lamont*, the chancellor of the exchequer, is intended to show financial markets that Britain is determined to limit increases in the public sector borrowing requirement.

It may lead to cuts in the financial year beginning next April in areas such as education, health and transport.

From next year, the current system under which ministries bargain with the Treasury for extra spending will be scrapped. In its place, the cabinet will decide overall spending limits, with negotiations being limited to how the total is shared out.

Last November, Mr Lamont agreed to increase spending in 1993-94 by £13bn (\$24.8bn) over previously agreed levels. There was also a large increase in spending for the current financial year, in a package designed to *appeal to voters ahead of the gen*eral election.

The government assumes that inflation will be kept low over the next few years by Britain's *membership of the European* exchange rate mechanism. As a result of low inflation, increases in public spending at current prices should also be kept low, while maintaining the quality of public services.

The new procedure will feature a "control total", to be decided by the cabinet early in each year's public spending round. The concept will be introduced into next year's spending round, applying to 1994-95.

The definition of the control total – which will exclude social security payments related to unemployment – has yet to be finalised by the Treasury.

For the 1993-94 financial year, the government will stick within its existing planning total for public spending of £244.5bn agreed last November.

Since unemployment-related social security benefits, which account for up to one fifth of all public spending, are set for a large rise because of the longer-than-expected recession, the new policy may lead to cuts in other *parts of government spending*, such as housing and road building.

Whether cuts will be needed will depend on how much the increases in social security payments eat into an unallocated £8bn reserve which is part of the £244.5bn total for 1993-94.

Under the arrangements, once cabinet has agreed a control total, the chief secretary to the Treasury will discuss the allocation of that money with depart*mental ministers. A new commit*tee, chaired by the chancellor, will decide on the final share-out.

● Poor trade and retail sales figures yesterday added to growing evidence that the UK economy is failing to recover from recession.

A 2.5 per cent drop in the value of imports in June was outstrip*ped by a drop in exports*, reflecting weakening overseas markets. The value of exports fell by 3.5 per cent from £9.2bn in May to £8.8bn in June.

Editorial comment, Page 10

CBS chief in rescue talks

Continued from Page 1

out the Jubilee line there is a greater prospect of Canary Wharf being liquidated, according to bankers.

London Transport's Jubilee Line project team has sufficient *finance to continue working* untill the end of August, though it is thought the government would allow the team to be kept together till the end of September.

The government has indicated that the extension will be scrapped unless there is a commitment from the private sector to make its £170m contribution by then.

Any bidder for Canary Wharf would not pay any money to acquire the project. It would simply take on its huge liabilities. The costs of completing the initial stages of Canary Wharf are estimated at between £400m and £600m over the next two years.

Potential bidders have said that they would also insist that the 11 commercial bank lenders to the project should write off at least 30 per cent – and probably more – of their £576m loans. A sacrifice would probably also be demanded of the European Investment Bank, which has lent £100m and boasts that it has never made a loss on its loans.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	F	19	66	Frankfurt	F	24	75	Majorca	F	31	88	Oporto	S	23	73	Tenerife	S	25	77
				Brussels	F	21	70	Geneva	F	21	70	Malaga	F	26	79	Oslo	S	22	72	Tokyo	C	29	84
				Budapest	S	31	88	Gibraltar	S	29	84	Malta	S	29	84	Paris	F	23	73	Toronto †	F	11	52
Ajaccio	S	28	82	Buenos Aires	F	10	50	Glasgow	F	16	61	Manila	C	33	91	Prague	C	24	75	Tunis	F	31	88
Algiers	S	31	88	Cairo	S	33	91	Helsinki	S	28	82	Melbourne	S	13	55	Reykjavik	S	11	52	Valencia	F	28	82
Amsterdam	S	22	72	Cape Town	F	15	59	Hong Kong		–	–	Mexico City	C	25	77	Rhodes	S	28	82	Venice	S	28	82
Athens	C	27	81	Caracas	F	29	84	Innsbruck	F	27	81	Miami †	S	26	79	Rio de Janeiro	C	29	84	Vienna	F	28	82
Bahrain	S	35	95	Casablanca †	S	30	86	Inverness	C	17	63	Milan	S	29	84	Rome	S	28	82	Warsaw	S	33	91
Bangkok	C	33	91	Chicago †	C	17	63	Islamabad	C	32	90	Montreal †	C	13	55	Salzburg	F	25	77	Washington †	F	23	73
Barcelona	S	27	81	Cologne	S	22	72	Istanbul	F	25	77	Moscow	S	25	77	S'Francisco †	F	16	61	Zurich	T	16	61
Beijing	S	32	90	Copenhagen	S	22	72	Jakarta	C	33	91	Munich	C	22	72	Seoul	C	26	79				
Beirut	F	28	82	Corfu	S	30	86	Johannesburg	F	18	64	Nairobi	F	22	72	Singapore	F	29	84				
Belfast	S	18	64	Dallas †	F	24	75	Lisbon	S	26	79	Naples	F	30	86	Stockholm	S	26	79				
Belgrade	F	31	88	Dublin	C	19	66	London	F	22	72	Nassau	F	32	89	Strasbourg	F	23	73				
Berlin	S	21	70	Dubrovnik		–	–	Los Angeles †	C	21	70	New Delhi	F	31	88	Sydney	S	13	55				
Biarritz	F	23	73	Edinburgh	C	17	63	Luxembourg	S	21	70	New York †	S	21	70	Taipei	F	35	95				
Bombay	F	30	86	Faro	S	25	77	Madeira	F	23	73	Nice	S	27	81	Tangier	S	24	75				
Bordeaux	F	22	72	Florence	S	30	86	Madrid	S	31	88	Nicosia	S	27	81	Tel Aviv	S	29	84				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

A gamble on spending

It has been clear for a while that the foreign exchange and gilts markets would *eventually need reassuring on* the trend in government borrowing. The cabinet duly promised yesterday that previous spending limits for 1993-94 would not be exceeded. Mr Lamont must now be hoping that the autumn spending round can proceed in an atmosphere of calm.

Whether such hope will prove more tangible than his green shoots of recovery is another matter. The government does not have much of a record for keeping to its targets. The task during the next financial year *will be all the harder because growth* will be much lower than the 3 per cent originally expected. Unemployment and other benefits will thus considerably exceed expectations and some serious cuts in discretionary spending will be needed if the target is to be met.

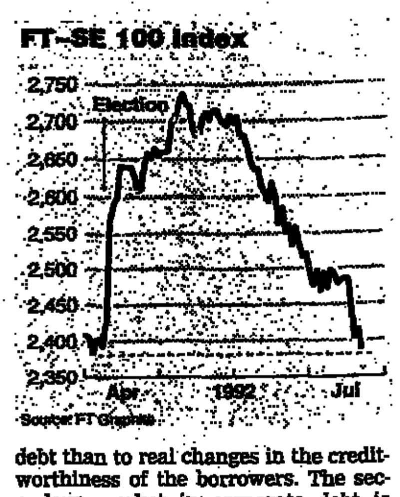
The risk to the equity market is that this will be perceived as yet another blow to recovery prospects. Yesterday's announcement does not undo the fiscal stimulus implicit in last November's spending plans for the current year and in the government's various pre-election pledges. But from now on nervous consumers will be much more aware of the tightness of government purse strings. If that *delays the recovery much longer*, spending curbs designed to support sterling could have the opposite effect as Mr Lamont comes under yet more pressure to cut short term interest rates.

Eurotunnel

The secondary market in bank loans is all well and good when it is confined to the debt of distant countries such as Argentina and Peru. It is a different matter when it comes to quoted UK companies. The revelation that a small amount of Eurotunnel debt has changed hands at a discount of about 30 per cent to its face value may have a significance out of proportion to the size of the actual deals concerned. Quite apart from the questions it must raise about the value of the company's shares, banks must *also begin to wonder about* the value of the £4bn or so of loans that the company has already drawn.

Of course, the secondary market in sovereign loans has never been a perfect measure of value. *In its early* stages, particularly, prices fluctuated more in relation to regulatory factors affecting banks' ability to trade the

FT-SE Index: 2387.9 (-27.7)



Source: FT Graphite

debt than to real changes in the creditworthiness of the borrowers. The secondary market in corporate debt is also beset with technical factors which may make prices unrepresentative. One could easily imagine, for example, that Eurotunnel's debt price has fallen victim to a Japanese bank decision to run down its overseas loan book.

That may provide an excuse for other lenders to relax at this stage. But Eurotunnel has had to negotiate a waiver on its banking covenants, and *the fact that some of its debt has* changed hands at such a large discount adds to the impression of risk inherent in the project. The textbook conclusion would be that if the bankers are under water they are already standing on shareholders' shoulders. There appears even less chance now of lenders providing additional finance beyond that which is already committed, except on terms which would be detrimental to the interests of existing equity investors.

UK market

While yesterday's further slump in UK equities confirmed that the post-election rally has been wholly reversed, it was also a reminder that the market's preoccupations are not primarily domestic at all. Throughout most of the day the UK market followed the European average, scarcely pausing to acknowledge that the UK trade and retail sales figures were just as expected. Yesterday's worst-hit UK stocks were generally those with high *borrowings*. But while the UK money market continues *to discount a quar*ter point rise in interest rates, it is striking that there is no immediate pressure on sterling within the ERM. The worry is rather that the system's members are still under general pressure to raise rates in line with Germany.

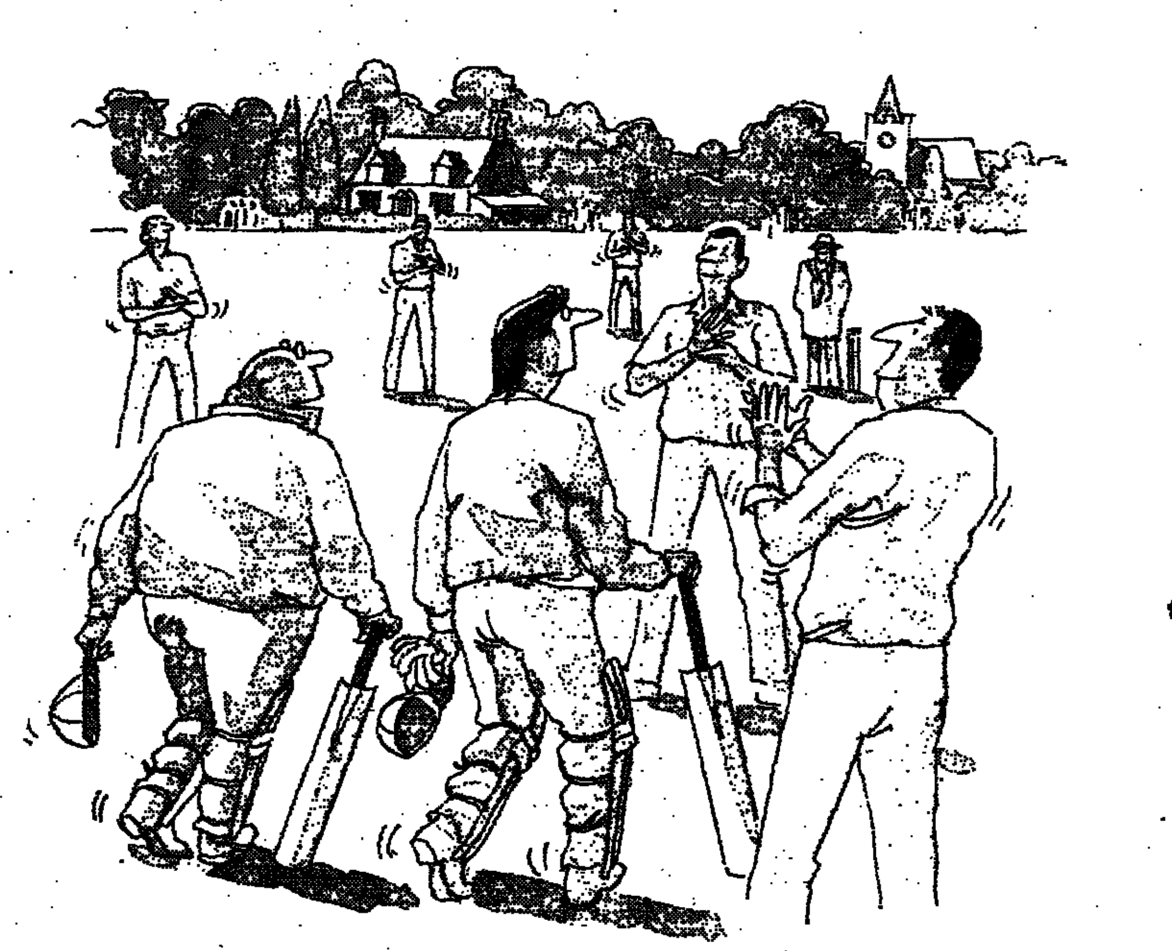
More parochially, there is still pressure on UK institutional cash flow from *government* funding. But this would not matter if the institutions did not perceive gilts as inherently more attractive than equities. At the margin, it would help a lot if the dollar were to revive further and Tokyo were to stop hitting fresh lows. But it will take more than that for equities to return to fashion.

British Aerospace

Spot the odd one out among the following: Booker, Laporte, William *Morrison and* British Aerospace. The answer is of course BAe: the others all have a market value of more than £800m. The continued plunge of the BAe share price doubtless owes much to the general *shakiness of market* sentiment. In addition, the company is suffering from a hiatus of news in the period of enforced silence ahead of its interim results. In particular, there is no word about the sale of the regional aircraft business, while the UK car market is approaching a supposedly disastrous August.

More fundamentally, the stage is being reached where the market is either wholly wrong about the stock or the company's continuance in its present form is open to question. One aspect of the market's *worry is self-ev*ident. At the start of last month, the historic yield was 9.4 per cent. It is now 15.9 per cent. If the market's sums are right, BAe looks set to join that exclusive band of companies – otherwise mostly in the construction industry – to have raised cash from shareholders and blown it before it *can be paid back in the form of divi*dends the following year.

To justify such a blunder, BAe must argue for a sharp rebound in earnings in the reasonably foreseeable future. This may require the sale not just of regional aircraft but of Rover, plus compelling evidence that the defence business after the EFA still has an attractive future. More fundamentally again, BAe must convince investors that whatever form it ends up with possesses industrial logic, rather than representing a job lot of assets from the privatising days of the 1980s. Come the interims in September, the new chairman Mr John Cahill will have his work cut out.



"Don't worry, Thompson. They may be younger and fitter, but we're clients and they're merchant bankers."

At Charterhouse, we're dedicated to ensuring that our clients get the results they want - in every field except, perhaps, the cricket field!
For more information, please call Iain Houston on 071-248 4000.

CHARTERHOUSE

Charterhouse Bank Limited, 1 Paternoster Row, St Paul's, London EC4M 7DH.
Charterhouse Bank Limited is a Member of The Securities and Futures Authority. A Royal Bank of Scotland Company.

Net Profit through Networking
with
NEWBRIDGE
Building Business Networks
Newbridge Networks Ltd.
0633 413600 071 638 0022

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1992 Thursday July 23 1992

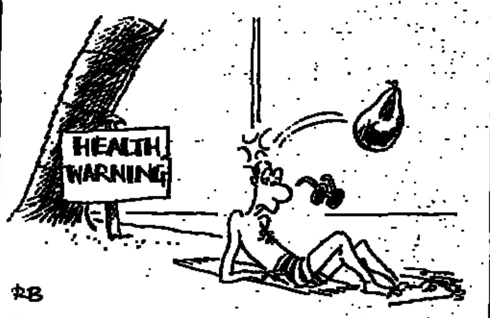
OVERSEAS MOVING BY MICHAEL GERSON
081-446 1300

INSIDE

Cemex cements Spanish links

Cementos Mexicanos (Cemex), North America's largest cement company, has taken a big gamble in bidding $1.85bn for Spain's two largest cement companies, Valencianas and Sanson. The acquisitions are the largest undertaken in Mexico, and give a company with little experience of managing overseas operations 28 per cent of the Spanish cement market, more than double that of its nearest competitor. Page 14

Coconuts weather health scare



Early this year Malaysia organised an 11-nation coconut-tree climbing contest to promote the crop. The competition, won by Sri Lanka, was well-timed: since mid-1991 world prices for most coconut products have risen more than 50 per cent in spite of allegations by soya-bean producers in the US that tropical oils, which are high in saturated fat, raise human cholesterol levels and are a possible contributor to coronary heart disease. Page 24

Belgium bucks the trend

Volumes in European stock markets have been depressed since the Danes said "No" to Maastricht, with two exceptions: Belgium and France registered significant improvements over May. An analyst said: "Belgium has been one of the best performing markets against a background of general nervousness surrounding the future of the Maastricht treaty." Back Page

View from the UK Midlands

Industrial groups in the West Midlands, geographical heart of British manufacturing, have had a gloomy reporting season. Paul Cheeseright looks at a cross-section of industry, from carpets and architectural hardware to environmental engineering and foundry products, to establish a guide for the future. Page 19

Bankers Trust rises 11%

Bankers Trust yesterday reported an 11 per cent improvement in second quarter profits to S205m, making it the second-best quarter in the New York banking group's history. Page 16

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Gen Motors	38⅞	-	⅞
Falls				**PARIS (FFr)**			
AG Ind & Verk	645	-	23	**Falls**			
Colonia Knzn	815	-	35	Eaux Cie Genl	2069	-	68
Hochtief	1045	-	50	Ecco	395.1	-	15.9
KHD	120.5	-	7.3	Imetal	308.1	-	15.9
MAN	343.5	-	11.5	Intertechnique	660	-	30
Thyssen	207.5	-	15.4	LVMH	3463	-	102
NEW YORK ($)				Thompson C S F	128.3	-	7.5
Rises				**TOKYO (Yen)**			
Compaq	27⅞	+	3⅛	**Falls**			
Fst Comm Bancp	26¾	+	6¼	Jusco	1240	-	130
Harley-Davidson	27⅛	+	2¼	Nichiei	356	-	35
Upjohn	33⅞	+	1½	Nippon Hous	189	-	36
Falls				Nippon Kayaku	530	-	68
Ford Motor	42¾	-	1¼	Tamura Elect	521	-	54
				Topy Inds	386	-	41

LONDON (Pence)				Gerrard & Natl	262	-	12
Rises				Gleeson (MJ)	813	-	42
CarltonComms	585	+	11	ICI	1117	-	15
Cont. Stationery	35	+	7	Ladbroke	158	-	17
Doeflex	112	+	5	Lloyds Chem	198	-	17
Greycoat	38	+	5	P & O	344	-	14
Menvier Swain	440	+	21	Quadrant	20	-	9
Rubicon	123	+	20	Rank Org	553	-	19
Southend Props	42	+	6	Reuters	1090	-	35
Tie Rack	42½	+	3	Rothmans	1054	-	20
Union Discount	53	+	13	Siebe	639	-	24
Falls				Simon Eng	174	-	16
Coats Viyella	168	-	8	Trafalgar H. A	66½	-	6½
Cook (Wm)	221	-	18	Unigate	277	-	9
Euro Disney	1023	-	25				
Expamet Intl	71	-	14				

Buoyant Compaq advances 43%

By Martin Dickson in New York

COMPAQ, the US computer manufacturer which last month unveiled a new range of cut-price personal computers, yesterday reported a 43 per cent jump in second quarter net income and such strong demand for its products that it was suffering from a parts shortage.

The figures – at the top end of Wall Street expectations – provided the strongest evidence yet that the company's new strategy of competing against clone manufacturers on price, rather than features, was bearing fruit.

The strategy was put in place last autumn after Mr Rod Canion, president and chief executive of the company, was ousted in a boardroom coup.

Compaq has slashed prices since then and last month introduced a new line of desktop and notebook PCs with US prices starting as low as $899.

Second quarter net income totalled $29m, or 35 cents a share, compared with $20m, or 23 cents a share, in the same period of last year. Sales rose 15 per cent from $718m to $827m.

Wall Street's mean earnings per share forecast was 29 cents and the shares rose in morning trading on the New York Stock Exchange, to stand at $26⅞, up $2¼ at lunchtime.

The company said unit shipments were up 51 per cent over the second quarter of last year and 24 per cent ahead of the first quarter. Strong demand had caused a considerable product backlog because of a shortage of parts. It expected to have cleared this by the end of the current quarter.

Mr Eckhard Pfeiffer, chief executive, said the company was running three shifts in its Houston and Singapore factories and two in its Scottish plant and was "moving aggressively to secure additional materials".

Analysts, however, said Compaq's failure to forecast demand correctly had angered dealers and prompted some customers to switch to rivals.

Price-cutting policy hit its gross margin, in spite of cost-cutting. The margin dipped from 34.5 per cent in the second quarter of last year to 33.5 in the first quarter of this year and dropped to 30.2 in the latest period.

For the six months the company reported net income of $74m, or 88 cents a share, compared with $135m, or $1.49 a share, in 1991 on sales which dipped from $1.7bn to $1.6bn.

James Blitz and Richard Waters report on London's short-term money markets

Union Discount suffers £14.8m half-year loss


George Blunden wants Union Discount to be more aggressive

UNION Discount, one of the leading companies in London's short-term money markets, claimed yesterday to have put the worst of its troubles behind it as it reported losses of £14.8m ($28.2m) for the first six months of this year.

The results reflect Union's struggle in recent months to shake off the effects of a disastrous diversification into leasing during the 1980s, as well as an attempt to bring its core discount house operation back into profit.

Union has been one of the biggest casualties of the move by specialist financial houses to develop into other markets as a result of financial deregulation in London. The move was tacitly encouraged by the Bank of England, which halved discount houses' capital adequacy requirements in the mid-1980s to allow them to devote more resources to new areas of business.

Union said it would not pay an interim dividend, and could not yet promise a final one.

"We will only pay a dividend if it is prudent. I can't make any commitment at this stage," said Mr George Blunden, chief executive.

Pre-tax losses of £14.8m in the six months to June 30 accounted for a shrinkage in the company's capital base to £41m at the end of the period, down from £72.8m a year ago. A year earlier it lost £8.4m and paid an 11.5p dividend. Losses per share were 82.1p against 333.35p.

The group's discount house operations accounted for £4.2m of the loss – £2.8m due to a deterioration in existing problem loans. The company hinted that it was close to selling a property in Edinburgh, which it took on after a disastrous £20m loan to a property company went sour.

In an attempt to make the discount operations profitable, Mr Blunden said he had halved the staff since joining the company from SG Warburg in June, wiping £1m off the salary bill.

Leasing, which had caused losses of £14m in 1991, was responsible for a further £5.7m of losses in the first half as Union provided £6.7m against possible bad debts.

Provisions against the worst parts of the leasing portfolio now amount to 30 per cent, with an average for the whole book of more than 10 per cent.

Union changed its deferred taxation policy, resulting in a tax charge in the accounts for the period of £841,000.

The company also announced that Mr George Nissen and Lord Remnant had resigned from its board, while Mr Harry Taylor, deputy chairman of two subsidiaries, has been appointed. Mr Blunden said further management changes were likely.

Observer, Page 17

Altered environment forces change in attitude

Mr George Blunden is an unabashed fan of London's discount market. "This is my third discount house" he says, "and I know they can make money." Long-suffering shareholders in Union Discount will be glad to hear it.

The son of a former deputy governor of the Bank of England, Mr Blunden has arrived as chief executive of Union Discount at a critical moment in the company's history – and that of London's discount market.

Union faces a tough fight to rebuild its profits in the area it knows best – London's short-term money markets – after being dragged down by a disastrous move into equipment leasing in the 1980s. However, many people in the markets think discount houses are in danger of going out of fashion.

These are not easy times for the City of London's nine discount houses. They have traditionally played a crucial role in the Bank of England's sterling operations, acting as the valve through which liquidity passes from Threadneedle Street to the commercial banks. But their operating environment has changed.

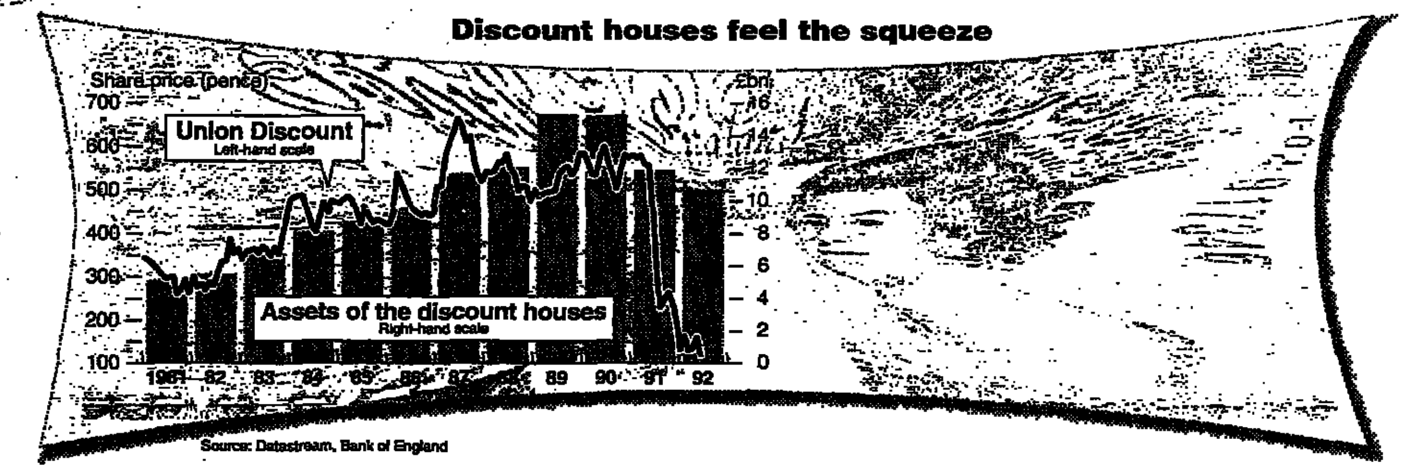
One of the biggest problems has been the small movements in interest rates since Britain joined Europe's Exchange Rate Mechanism. In the past, discount houses have tended to make money on interest rate movements. When base rates move downwards, the discount houses make profits because the capital value of the bills that they hold increases. In the past year, however, the Bank has signalled rate cuts infrequently.

Mr Blunden believes that, to make money, Union and other discount houses will need to change their attitude to the money markets.

Discount houses buy short-dated securities from banks and borrow from the Bank of England. Traditionally, they have held on to these securities for too long in the hope that longer-dated interest rates will be cut, and a profit realised, says Mr Blunden. He wants Union Discount to deal more aggressively.

"You have to adapt your style and your knowledge of how short-term interest rates are moving and change the time scale in which you operate," he says.

Discount houses feel the squeeze



Source: Datastream, Bank of England

That means becoming an active trader across all money market instruments, for instance by using the options and futures markets to take or lay off risks on interest rate movements. That could make the discount market a small part of Union's activities.

Mr Blunden also plans to develop the group's expertise in longer-dated financial instruments, to enable it to arbitrage between short and longer-term interest rates. The company is no longer dealing in trade bills, which provide short-term finance for corporations, but are highly risky because of the chance that the corporation will default.

Some fear that the discount house business has no long-term future. The move to European Monetary Union (Emu) will make London's discount house operation obsolete, because the Bank of England's operations are unlike those in other European centres. There are suggestions that the Bank will be forced to operate like the Bundesbank if Emu takes place, dealing directly with the commercial banks rather than through intermediaries.

However, Mr Blunden says: "The experience that we have derived over the centuries will not disappear overnight. If the Bank of England opens up its operations to a wider audience, we should find ourselves dealing with an even larger client base."

The disasters of the past year have wiped £30m ($57.3m) off Union's capital base, which is now just over £40m. However, the special capital regime for discount houses run by the Bank of England would allow Union to take positions in the markets worth up to £3.2bn. As one competitor said yesterday: "That still gives them plenty of scope to make profits – or to make a complete mess of it."

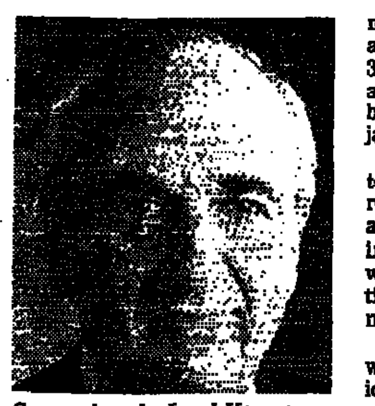
C and W joins the dawn chorus

By Peggy Hollinger in London

IT WAS hard to say who Lord Young was talking to – insomniacs or investors. The chairman of Cable and Wireless might have thought the former were more likely to watch his dawn performance of Britain's first televised annual meeting yesterday.

Cable & Wireless – The AGM was broadcast at "the unearthly hour of 5.30am", according to Lord Young. "Rather more shareholders, who are normally awake at a more civilised hour will, I trust, set their video recorders," he said.

The taped performance was aimed at the company's vast number of small shareholders, who are often unable to attend either the AGM or the regional meetings around the country.


Screen break: Lord Young

Some 56 per cent of C and W's 150,000 UK-based investors own 500 shares or less and are scattered from John O'Groats to Land's End. Yet such worthy motives have their economic attractions as well. The bill for a 30-minute broadcast comes to about £40,000 ($76,000), considerably less than the cost of a 10-day jaunt around the country.

A C and W spokesman admitted that cost was one of the main reasons for televising the AGM, and ending the regional meetings. The idea is catching on, with Nuclear Electric and Scottish Power set to debut in the next two weeks.

The big question remains whether shareholders will be dedicated enough to get up at the crack of dawn. Research will be carried out by C and W and the channel which carried the programme, BMH, to determine the company's ratings. If C and W has a blockbuster, viewers can look forward to *AGM II*.

Interest to be paid on frozen Efim debt

By Haig Simonian in Milan

EFIM, the Italian state holding group which is being put into voluntary liquidiation, will retroactively pay interest on debts frozen after last week's decision to wind up the concern.

The news, given in a clarification by the treasury, countered the impression created at the weekend that no interest payments would accrue for the next two years. That understanding caused widespread concern in the international banking community, unused to the idea of a unilateral rescheduling attempt by a leading industrialised country.

While the announcement removes one of the many uncertainties facing creditors of Efim, which has total debts of L8,500bn ($7.39bn), bankers remain highly critical of the poor way information about the closure's consequences for creditors has been handled by the Italian authorities.

Under the terms of the liquiditation, repayments of interest and principal on Efim's debts are being suspended for a maximum of two years while the group is wound up and assets sold. The treasury is to issue up to L4,000bn in government securities from next January to cover the principal of Efim's bank borrowings, provided creditor banks agree to renounce all guarantees and interest payments on existing loans.

The rate of interest paid to creditors will be equivalent to that on the government securities being issued. However, bankers have still to be told what that rate will be. The decision to set a uniform interest rate also raises an issue of fairness among Efim's bank creditors as banks have lent to Efim at varying interest rates.

The prospect of interest being paid was confirmed by Mr Anrea Monorchio, the head of Italy's state auditing office. Speaking to a senate committee in Rome, he said he believed the payments would be made to prevent Italy losing credibility as a borrower.

The country has recently faced a loss of confidence among bankers and investors, especially abroad. Both the lira and the government bond market remain under pressure, while Moody's, the US debt rating agency, is looking into further downgrading Italy, the only G7 country without an AAA borrowing status, from its current AA1 standing.


This announcement appears as a matter of record only.

U.S. $1,500,000,000

Global Portfolio Trade

to effect a

Restructuring of Equity Portfolios

for

AMP Asset Management plc

The undersigned, on behalf of AMP Asset Management plc, effected the restructuring of 23 portfolios, invested in 11 countries and 430 securities involving 3,750 trades and was completed in 11 trading days.

MORGAN STANLEY INTERNATIONAL

July 22, 1992

British Gas to separate two top executive roles

By Neil Buckley in London

MR ROBERT Evans, chairman and chief executive of British Gas, said yesterday he was separating the two roles and ceding the post of chief executive to Mr Cedric Brown, senior managing director.

The announcement ends months of speculation that such a move was imminent.

Mr Charles Donovan, co-senior managing director and a competitor for the chief executive role, announced his resignation after recognising the "direct impact" Mr Brown's appointment would have on his duties.

Mr Brown, 57, who joined British Gas in 1966, said he was "delighted at the opportunity" to take on the job at a crucial time for the company. He will be responsible for the day-to-day running of the business and will also examine changes necessary to ensure the business reached its financial targets.

Mr Evans will retain overall control of strategy. "But he will be a full-time executive chairman and I will be a full-time chief executive so we will be working very closely together," Mr Brown said.

Analysts said that as Mr Evans remained in charge of strategy and Mr Brown had spent his entire career with British Gas, significant changes were unlikely.

The first test for the new chief executive will be reaching an agreement with Ofgas on tariffs and terms for the company's transportation and storage business, due to be hived off into an arms-length subsidiary by October.

Mr Brown said he was anxious that agreement should be reached quickly, although Ofgas is thought unlikely to accept BG's submission that it should receive a rate of return of 10.8 per cent on new investment and 6.7 per cent on existing pipeline assets. If no deal could be reached, Mr Brown said he did not rule out a possible referral to the Monopolies and Mergers Commission.

Mr Evans announced when he succeeded Sir Dennis Rooke two and a half years ago that he intended to relinquish the chief executive's role.

Sulzer sees recovery in profits as orders grow

By Ian Rodger in Zurich

SULZER Brothers, the Swiss engineering group, reported a 2 per cent improvement in orders to SFr3.3bn ($2.5bn) for the first half and forecast a recovery of profits for the full year to the level achieved in 1990.

Order intake at Sulzer Rüti, the textile machinery subsidiary whose severe losses dragged down group profits last year, has grown 25 per cent mainly due to demand from the Middle East and China.

Sulzer Infra, the plant and building services subsidiary, reported a 9 per cent rise in orders, two thirds of which were due to acquisitions. Demand for Sulzermedica orthopaedic and cardiovascular implants grew by 16 per cent.

The Escher Wyss business had a 6 per cent rise in orders as bookings for hydroelectric plant, pumps and thermal turbo-machinery more than offset declining demand for paper-making machinery.

The 28 per cent decline in orders at the Wintherthur group came after record orders last year for locomotives.

Sulzer said it expected the overall positive order trend to continue in the second half. It was confident the reduction of losses at Rüti and the progress at other divisions would enable the group to regain the profit level achieved in 1990.

Last year's net consolidated income fell 23 per cent to SFr119m from SFr155m in 1990.

Hoesch advances 40% in first half

By Christopher Parkes in Bonn

HOESCH, the German steel and engineering company soon to be absorbed by the Krupp group, yesterday reported a 40 per cent increase in profits for the first half of 1992.

The company, which gave no further details, also confirmed that Mr Kajo Neukirchen, chairman, is to resign at the end of this month.

The improvement suggests the steel market is enjoying at least a partial recovery from the price slump which was the main cause of a 66 per cent drop in profits in the first six months of 1991.

The announcement indicates earnings of around DM196m ($132.4m) for the first six months of 1992, against DM140m in the comparable part of 1991 and DM412m in 1990.

Further information is expected at an extraordinary shareholders' meeting on July 27, when final formalities of the takeover by Krupp will be approved.

The assembly follows the regular annual meeting last month which overturned a voting rights limit, introduced into the group's constitution supposedly to protect Hoesch from predators, but which proved ineffective against Krupp's determined assault.

Mr Neukirchen, who took charge at Hoesch in August 1991, first threatened to resign last October when Krupp announced it had bought 24.9 per cent of Hoesch's stock.

Mr Neukirchen, who had been negotiating over possible "collaboration" with Krupp, unaware of the buying operation, said he would quit if Hoesch lost its independence. Krupp has since enlarged its stake to 62 per cent.

The merger of the two businesses, which is to be backdated to January 1, will be effectively complete after next week's meeting. The new group, to be called Fried. Krupp AG Hoesch Krupp, will have annual sales of around DM30bn and employ almost 100,000.

Cemex embarks on a $1.85bn gamble

Damian Fraser on the Mexican group's acquisition of Spain's top cement companies

Cementos Mexicanos (Cemex), North America's largest cement company, has taken a considerable gamble in bidding $1.85bn for Spain's two largest cement companies, Valenciana and Sanson.

The acquisitions, announced within a fortnight of each other, are easily the largest undertaken in Mexico, and they give a company with little experience of managing overseas operations 28 per cent of the Spanish cement market, more than double that of its nearest competitor.

The purchases will not just stretch Cemex's managerial abilities, they will increase long-term debt by $760m – and that is assuming re-financing and fire sales of assets and shares go according to plan. Cemex's immediate borrowings will rise by $1.35bn.

In short, the turning points are awesome. For almost a hundred years the company's fortunes have been rooted in Mexico. Cemex first produced cement in 1906, and in 1931 merged with its rival, Cementos Portland Monterrey, to become Mexico's principal cement maker.

With the Spanish acquisitions, sales last year would have been $2.8bn, turning Cemex into Mexico's second largest industrial company following Vitro, the glass maker.

About 40 per cent of Cemex's shares are controlled by the Zambrano family.

Forbes magazine recently estimated that Mr Lorenzo Zambrano and his uncle and president of the board, Mr Marcelo Zambrano were worth $2bn.

Mr Lorenzo and Mr Marcelo Zambrano evidently feel that sticking to Mexico makes them vulnerable to foreign competition. Investors may have other ideas, however.

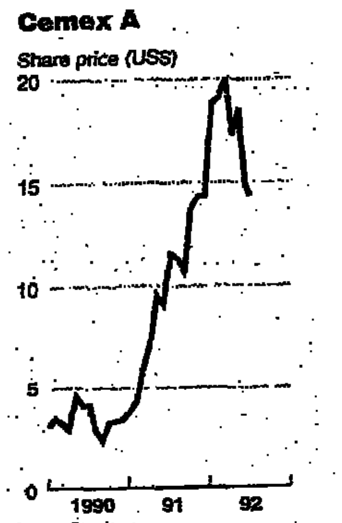
US and Mexican investors have acquired Cemex stock in the belief they are buying into Mexico's fast-growing construction market.

Spain's construction market, unlike Mexico's, is slowing, and its cement industry is suffering.

In future some 40 per cent of Cemex's earnings will come from Spain. In the two days following the announcement of the Valenciana deal, Cemex's B shares, which are open to foreign investment, fell 17 per cent. This week the shares have been especially volatile as investors have reacted to the second Spanish acquisition and a 15 per cent increase in net profits for the first six months of 1992.

"Most investors who bought Cemex bought it on a high growth story. To the extent that Cemex diversifies into countries with less attractive growth prospects, earnings slow down," said Mr Jorge Mariscal, manager of Latin American equity research at Goldman Sachs.

However, with high cash flows and a mature share of the home market, Cemex clearly needed to do something. It controls 65 per cent of the Mexican cement market and expects to generate $1.5bn in spare cash over the next five years. The choice was stark – expand in high-growth Mexico but away from cement, or buy more cement companies in slower growing markets abroad.



Mr Lorenzo Zambrano, chief executive and controlling shareholder, said: "The global cement business is becoming increasingly concentrated and we need to stay with the leaders." The Spanish acquisitions will raise Cemex's annual cement capacity from 21.6m tonnes to 32m tonnes.

However, the company is facing increasing pressure at home.

Its main Mexican competitor, Apasco, part of Holderbank, the world's largest cement producer, is planning a $260m expansion in Mexico, to raise output from 5.4m tonnes to 7.15m tonnes by 1994.

To Cemex's obvious concern, Apasco last year opened a plant in Saltillo, Coahuila, in the heart of what had previously been Cemex territory.

Apasco will open another plant in Colima, on the Pacific coast in 1994, where it will be able to take on Tolmex, Cemex's subsidiary.

Cemex saw the threat from Holderbank in 1988, and decided then to concentrate on core cement business, and sell most non-cement operations. In 1989 Cemex bought Empresa Tolteca (Tolmex), then the number two Mexican cement producer, for $663m, bringing its market share in Mexico up to 64 per cent. Cemex at the same time bought cement operations in the south and west US.

"In purchasing Tolteca our main interest was not to put it in the hands of the Europeans," said Mr Gustavo Caballero, group finance director. The decision to buy Valenciana and Sanson is part of the same defensive strategy.

"The [purchases] strengthen the strategic position of Cemex in the Mexican market" said Mr Zambrano.

Mr Zambrano is quick to emphasise other benefits of the Spanish acquisitions. Spain's cement market is large and likely to grow faster than the rest of Europe's, prices are high, and with 28 per cent of the market, Cemex will becomes the dominant cement producer.

The company will cut administrative costs by merging Sanson and Valenciana.

Nevertheless most foreign investors would doubtless have preferred Cemex to have stuck to Mexico, given the present weakness of Spanish demand. In contrast, Mexican construction is booming, and many analysts expect cement demand to grow by 6 to 10 per cent a year over the next decade.

The Mexican government has recently released price controls on cement which has substantially increased profit margins.

In some ways Cemex's bid for Valenciana and Sanson mirrors a strategy pursued by Vitro, Mexico's monopoly flat glass producer. Vitro moved into the US market in 1989 with the purchase of Anchor Glass. The deal put more than half of sales outside Mexico. In common with Cemex, Vitro said it needed to become a global glass producer to survive.

Yet with sales suffering from the US recession Vitro's share price has badly lagged the Mexican stock market.

The worry for Cemex must be that Spain's economy may not grow as fast as Mexico's over the next decade.

Bristol-Myers plans larger-scale trials of new Aids drug

By Clive Cookson in Amsterdam

THE international Aids conference brought encouraging news for some pharmaceutical companies yesterday.

Bristol-Myers Squibb of the US was happy with the early clinical tests of its candidate Aids drug d4T and said it planned larger-scale trials.

And its existing drug DDI, which had not performed as well on its own as Wellcome's AZT, proved more successful in combination with AZT.

Other new Aids drugs which have recently started clinical trials – and are giving results promising enough for the companies to continue development – are Glaxo's 3TC, American Cyanamid's FLT and Upjohn's U-87,201E.

But the conference heard that several other development drugs, notably Merck's L661, have been dropped because HIV, the virus that causes Aids, becomes resistant to them rapidly.

Most drugs are continuing clinical development work in the same way as AZT. They mimic thymidine, one of the building blocks of genetic material; when HIV incorporates a drug molecule into its growing genetic chain, it jams the mechanism by which the virus replicates. In common with AZT, the new drugs cannot eliminate HIV but they do slow the collapse of the immune system which causes Aids. And, like AZT, some have shown side-effects, though the companies hope these will not matter in practice once they have established the right dosage.

At present d4T is ahead of the others in its development programme, with 3TC not far behind. Although the clinical data are too limited to make a fair comparison, it seems from yesterday's evidence that 3TC may have fewer side-effects, but d4T may be a more potent anti-viral drug.

FLT is 10 times more potent than AZT, according to laboratory tests but it has shown anaemia as an unexpected side-effect, forcing American Cyanamid to repeat the first phase of clinical trials with lower doses. And U-87,201E has caused some liver poisoning as a side-effect.

H-P to buy out partner

HEWLETT-Packard said it will buy out its Hungarian partner Controll Rt from a joint venture, Reuter reports from Paris.

The US computer firm gave no financial details of the deal. It said it had a minority stake in the joint venture since May 1991. The firm will now be wholly owned by HP and known as Hewlett-Packard Magyarorszag Kft. The firm's general manager will stay on.

The venture had expanded more quickly than expected, Hewlett-Packard said.

REPUBLIC NATIONAL BANK OF NEW YORK

A SUBSIDIARY OF REPUBLIC NEW YORK CORPORATION

Consolidated Statements of Condition

(Dollars in thousands)

Assets	June 30, 1992	June 30, 1991
Cash and due from banks	$ 387,360	$ 278,904
Interest bearing deposits with banks	9,869,081	8,894,900
Precious metals	382,444	459,160
Investment securities	8,551,921	5,450,500
Trading account assets	648,816	143,369
Federal funds sold and securities purchased under resale agreements	244,109	368,173
Loans, net of unearned income	4,314,800	4,730,254
Allowance for possible loan losses	(176,375)	(174,707)
Loans (net)	4,138,425	4,555,547
Customers' liability on acceptances	1,096,283	1,617,680
Premises and equipment	313,369	305,587
Accrued interest receivable	262,701	282,873
Investment in affiliate	541,728	498,765
Other assets	388,996	568,029
Total assets	$26,825,233	$23,423,487

Liabilities and Stockholder's Equity	June 30, 1992	June 30, 1991
Non-interest bearing deposits:		
In domestic offices	$ 750,493	$ 644,066
In foreign offices	82,440	128,971
Interest bearing deposits:		
In domestic offices	4,457,099	4,260,586
In foreign offices	12,106,292	12,253,643
Total deposits	17,396,324	17,287,266
Short-term borrowings	3,373,441	1,058,323
Acceptances outstanding	1,103,750	1,622,124
Accrued interest payable	278,553	176,249
Other liabilities	959,657	737,286
Long-term debt	1,827,944	884,374
Stockholder's Equity:		
Cumulative preferred stock, $100 par value: 1,000,000 shares outstanding in 1991	–	100,000
Common stock, $100 par value: 4,800,000 shares authorized; 3,550,000 shares outstanding	355,000	355,000
Surplus	1,160,654	860,228
Retained earnings	369,910	342,637
Total stockholder's equity	1,885,564	1,657,865
Total liabilities and stockholder's equity	$26,825,233	$23,423,487
Letters of credit outstanding	$ 1,261,077	$ 1,280,223

The portion of the investment in precious metals not hedged by forward sales was $17.1 million and $6.2 million in 1992 and 1991, respectively.

REPUBLIC NEW YORK CORPORATION
Summary of Results
(In thousands except per share data)

	Six Months Ended June 30, 1992	Six Months Ended June 30, 1991	Three Months Ended June 30, 1992	Three Months Ended June 30, 1991
Net income	$ 124,303	$ 111,071	$ 63,899	$ 56,401
Cash dividends declared on common stock	$ 26,083	$ 24,168	$ 13,079	$ 12,125
Per common share				
Net income:				
Primary	$ 2.12	$ 1.96	$ 1.08	$ .99
Fully diluted	$ 2.08	$ 1.95	$ 1.06	$ .98
Cash dividends declared	$ .50	$ .46⅔	$ .25	$ .23⅓
Average common shares outstanding:				
Primary	52,069	51,657	52,118	51,727
Fully diluted	55,876	52,637	55,924	53,680

World Headquarters: Fifth Avenue at 40th Street, New York, New York 10018
(36 offices in Manhattan, Bronx, Brooklyn, Queens and Westchester & Rockland counties)
Member Federal Reserve System/Member Federal Deposit Insurance Corporation/Member New York Clearing House Association

BEVERLY HILLS • CAYMAN ISLANDS • LOS ANGELES • MEXICO CITY • MIAMI • MONTREAL • NEW YORK
BUENOS AIRES • CARACAS • MONTEVIDEO • PUNTA DEL ESTE • SANTIAGO • RIO DE JANEIRO • BEIRUT • GENEVA • GIBRALTAR
GUERNSEY • LONDON • LUGANO • LUXEMBOURG • MILAN • MONTE CARLO • PARIS • ZURICH • BEIJING • HONG KONG • JAKARTA • SINGAPORE • TAIPEI • TOKYO

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 23.07.92: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.80	19.75	21.77
0100	17.80	19.75	21.77
0130	17.80	19.65	21.67
0200	17.77	19.65	21.67
0230	17.77	19.65	21.67
0300	17.77	19.65	21.68
0330	17.77	19.48	21.49
0400	17.77	19.48	21.49
0430	17.77	19.48	21.49
0500	17.77	17.45	17.45
0530	17.80	17.70	17.70
0600	17.70	17.70	17.70
0630	17.69	17.70	17.70
0700	18.32	22.96	25.16
0730	22.78	23.94	26.12
0800	24.94	24.89	27.07
0830	26.49	26.70	28.90
0900	28.00	26.70	28.88
0930	31.98	27.91	30.08
1000	31.99	27.91	30.05
1030	31.99	27.91	30.06
1100	28.48	26.40	28.49
1130	27.28	27.61	29.73
1200	27.26	27.92	30.05
1230	27.26	27.92	30.04
1300	27.25	27.91	30.04
1330	27.24	26.44	28.55
1400	26.08	26.44	28.56
1430	25.88	25.45	27.53
1500	25.86	26.44	28.55
1530	25.47	26.44	28.55
1600	25.86	26.44	28.55
1630	27.99	28.88	31.05
1700	28.00	28.88	31.03
1730	27.99	28.88	31.02
1800	27.99	28.88	31.05
1830	25.66	24.89	26.98
1900	25.33	24.89	27.00
1930	25.33	24.63	26.75
2000	25.33	23.94	26.05
2030	25.33	22.98	25.06
2100	23.57	22.98	25.07
2130	27.99	27.90	30.15
2200	27.99	29.00	31.27
2230	27.99	29.00	31.24
2300	27.99	29.00	31.27
2330	23.57	22.73	24.83
2400	21.96	21.76	23.84

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.66/MWh becomes 1.866p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
©NGC Settlements Limited 1992

Nationwide

£100,000,000
Floating rate notes due 1998
(Issued by Anglia Building Society)

Notice is hereby given that the notes will bear interest at 10.50% per annum from 21 July, 1992 to 21 October, 1992. Interest payable on 21 October, 1992 will amount to £131.97 per £5,000 note and £6,598.36 per £250,000 note.

Nationwide Building Society
Agent: Morgan Guaranty Trust Company
JPMorgan

Up to £130,000,000
Hafnia Holdings (UK) Limited
Floating Rate Notes due 2000
£65,000,000 of which are being issued as the Initial Tranche

For the period from July 21, 1992 to October 21, 1992 the Notes will carry an interest rate of 10.825% per annum with an interest amount of £27,210.38 per £1,000,000 Note.

The relevant interest payment date will be October 21, 1992.

Agent Bank:
Banque Paribas Luxembourg
Société Anonyme

FLORA 2 LIMITED
U.S.$58,800,000
Floating Rate Notes Due 1993

Interest rate - 3.82813
Interest period: from - 22.7.1992
to - 22.1.1993
Interest Amount per US$100,000 nominal due 22.1.1993 - US$1,956.60

LTCB
THE LONG-TERM CREDIT BANK OF JAPAN, LTD.
(Agent Bank)

This announcement appears as a matter of record only

Paulig Group

Paulig Trading S.A.
DM32,000,000 Term Loan

Guaranteed by
Paulig Ltd

Arranged by
UNION BANK OF FINLAND
LONDON BRANCH

Provided by
Unibank A/S
Union Bank of Finland Ltd, London Branch
WestLB Group
Conrad Hinrich Donner Bank, Hamburg
Vereins-und Westbank AG, Hamburg

Agent
UNION BANK OF FINLAND
London Branch

THE VENEZUELA HIGH INCOME FUND N.V.

DIVIDEND NOTICE

Consistent with the authorization granted by the Board of Supervisory Directors on May 20, 1992, notice is hereby given that the Fund has paid a distribution of US$0.32 per share on July 15, 1992 to common shareholders of record at the close of business on June 30, 1992.

By Order of the Managing Director

Managing Director and Location of Principal Office
Curaçao Corporation Company N.V.
De Ruyterkade 62, P.O. Box 812
Willemstad, Curaçao
Netherlands Antilles

Administrator, Registrar, Transfer and Paying Agent
Cititrust (Bahamas) Limited
Thompson Boulevard
P.O. Box N1576
Oakes Field
Nassau, Bahamas

Investment Manager
Scudder, Stevens & Clark, Inc.

VENTURE CAPITAL

The FT proposes to publish this survey on September 25 1992. If you would like to reach the Financial Times audience, which includes the highest readership in Europe of senior business executives within finance and accounting*, please contact:
Richard Huggins
Tel: 071-873 3688
Fax: 071-873 3078

Data source:* European Business Readership Survey 1991

FT SURVEYS

3i
INVESTORS IN INDUSTRY
3i GROUP PLC
Inc. in England under the Companies Act 1948 to 1967
Reg. No. 1142830

3i GROUP PLC
£75,000,000
FLOATING RATE NOTES 1994

FOR THE THREE MONTH PERIOD
21ST JULY, 1992 TO 21ST OCTOBER, 1992

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 10½ per cent per annum and that the interest payable on the relevant interest payment date, 21st October, 1992 against Coupon No. 32 will be £1,319.67 from Notes of £50,000 nominal and £131.97 from Notes of £5,000 nominal.

S.G. WARBURG & CO. LTD.
(Agent Bank)

The Korea Development Bank
(Established in the Republic of Korea under the Korea Development Bank Act 1953 as amended)

U.S. $200,000,000
Floating Rate Notes due 1997

For the six month period 22nd July, 1992 to 22nd January, 1993 the Notes will carry an interest rate of 3⅝% per annum with a coupon amount of U.S. $1,864.72 per U.S. $100,000 Note, payable on 22nd January, 1993.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, Hong Kong
Agent Bank

ECU 25,000,000
KANSALLIS INTERNATIONAL BANK S.A.
Subordinated Floating Rate Notes due 1993

Interest Rate 11.1875% p. a.
Interest Period July 23, 1992 January 25, 1993
Interest Amount due on January 25, 1993 per
ECU 1,000,000 ECU 57,802.08

Banque Générale du Luxembourg
Agent Bank

CREDIT LYONNAIS CANADA
USD 18,000,000.-
SUBORDINATED FLOATING RATE GUARANTEED DEBENTURES DUE 2001

Debentureholders are hereby informed that the rate applicable for the fourth interest period has been fixed at 3.85312%.

The coupon n°4 will be payable at the price of US$ 1960 on January 22nd 1993 representing 184 days of interest, covering the period as from July 22nd, 1992 to January 21st 1993 inclusive.

The Reference Agent and Principal Paying Agent

CREDIT LYONNAIS

CAL
MEMBER SFA

FT-SE 100
Where next?
Call for our current views

CAL Futures Ltd
162 Queen Victoria Street
London EC4V 4BS
Tel: 071-329 3030
Fax: 071-329 3918

Public Invitation to Bid on Industrial Enterprises

Closing date for bids: September 1

Treuhandanstalt Dresden Branch

Chemistry

(DD–1) **Isolliererzeugnisse GmbH,** O-8512 Großröhrsdorf. **Products/Services:** bituminized woven materials/anti-corrosion protective sleeves for steel pipe and tank sheathing, patent glazing, jointing strips. Trade: synthetic base anti-corrosion systems (self-adhesive), insulating materials. **Turnover 1991:** DM 2.4 million. **Key Markets:** pipe laying operations (for energy supply, water engineering, housing , wholesale activities). Trade: insulating materials/renovation systems, construction operations; individual customers, East Germany. **Distribution:** direct sales. **Employees:** 26 (as of June 30, 1992). **Machinery:** heating and storage systems for bitumen, pumps, pipelines; gas-heated circulation oil (150 t capacity, temp: 180°C), stirring machine 3 x 4 t, coating facilities. **Real Estate:** 13,000 m² built-up.

(DD–2) **Keramische Fabrik „Bidtelia" Meißen GmbH i.A.,** O-8250 Meißen. **Products/Services:** ceramic glazes and dyes, ceramic filters, nickel oxide. **Turnover 1991:** DM 2.2 million. **Key Markets:** enamel and glass industry, household ceramics, sanitary ceramics, chemical industry, sewage treatment plants; 90 % in Germany, 10 % in other European countries. **Distribution:** company-operated. **Employees:** 26 (as of June 30, 1992). **Machinery:** rotary cylindrical kiln, drum-type kiln, wet-tumbling mill, square-rod grinding machine. **Real Estate:** 2 locations, 40,379 m², production and administration buildings; open areas (areas not essential to operations will be sold separately through TLG).

(DD–3) **Löbauer Technik GmbH,** O-8701 Bischdorf. **Products/Services:** synthetic windows, roller shutters and doors licensed by Knipping, structural steel engineering. **Turnover 1991:** DM 1 million. **Key Markets:** 70 % plastic products, 30 % structural steel. **Distribution:** direct sales. **Employees:** 28 (as of June 30, 1992). **Machinery:** 16 t press, 40 t press, 100 t press, lathes, milling and radial-drilling machines. **Real Estate:** 20,994 m² total area.

Metalworking, Mechanical Engineering

(DD–4) **Dampfkesselbau Dresden-Übigau GmbH,** O-8030 Dresden. **Products/Services:** containers, boiler construction (liquid-gas tanks, silos, marine boilers), steel structures (water purification plants). **Turnover 1991:** DM 32.8 million. **Key Markets:** bulk good suppliers, gas suppliers (east/west Germany). **Distribution:** direct sales. **Employees:** 205 (as of June 30, 1992). **Machinery:** full range of sheet metal and steel processing machines, metal-cutting machine tools, spray-coating and sandblasting facilities, welding equipment. **Real Estate:** 27,067 m² built-up, 55,946 m² non-operating.

(DD–5) **Förderanlagen Bautzen GmbH,** 8600-Bautzen. **Products/Services:** materials handling equipment: project planning, supply and assembly of circular conveyors, roller and chain conveyors, lifting equipment; components for bulk transport systems, skylights. **Turnover 1991:** DM 9.1 million. **Key Markets:** 60 % east Germany, 40 % west Germany; machine and automotive construction, electrical engineering. **Distribution:** direct sales. **Employees:** 101 (as of June 30, 1992). **Machinery:** saws, shearing machines, lathes, milling machines, presses, welding equipment, bending and drilling machines.

(DD–6) **Geologische Bohrwerkzeuge GmbH,** O-8312 Heidenau. **Products/Services:** tools for geology/building ground, mechanical processing/induction hardening, trading/service TERRA holing-through equipment, holing-through/pipe-ramming. **Turnover 1991:** DM 1.2 million. **Key Markets:** 90 % east Germany, 10 % west Germany; 80 % tools for geology/building ground, 10 % mechanical processing/induction hardening, 10 % holing-through/trading/service. **Distribution:** direct sales. **Employees:** 24 (as of June 30, 1992). **Machinery:** conventional and CNC machine tools, induction hardening facilities, earth rocket/pipe-ramming equipment. **Real Estate:** 4067 m² built-up, 266 m² non-operating.

(DD–7) **Gießerei + Armaturen Zittau GmbH,** O-8800 Zittau. **Products/Services:** manufacture of aluminum castings, ingot mould and sand castings (520 t capacity) 35 %, industrial fittings 65 %. **Turnover 1991:** DM 2.7 million. **Key Markets:** aluminum casting, fittings industry, vehicle construction, gear production, agricultural machinery, fittings: diesel engines, ship building, chemical plant engineering. **Distribution:** 20 % traders (technical traders), 40 % sales through other companies, 40 % directly to consumers. **Employees:** 44 (as of June 30, 1992). **Machinery:** moulding machines, smelting furnace, sand processing, cleaning equipment, cutting machines. **Real Estate:** 5180 m² built-up, 4180 m² non-operating.

(DD–8) **Großenhainer Gesenk- und Freiformschmiede GmbH,** O-8280 Großenhain. **Products/Services:** die and smith hammer forgings, maximum capacity: 9,000 to 10,000 tons. **Turnover 1991:** DM 11.8 million. **Key Markets:** sales in all German States and export to Switzerland; industries: agricultural equipment and vehicle construction, construction machines, railway engineering. **Distribution:** direct sales, trading network currently being developed. **Employees:** 138 (as of June 30, 1992). **Machinery:** forging presses, forging hammers, normalising facilities. **Real Estate:** 125,000 m² total area (areas not essential to operations will be sold separately through TLG).

(DD–9) **Industriesiebe und Drahtförderbänder Dresden GmbH,** O-8027 Dresden. **Products/Services:** 50 % screens, 50 % wire conveyors. **Turnover 1991:** DM 4.4 million. **Key Markets:** 100 % east Germany; construction companies, approx. 100 customers in conveyor technology (wood, paper, glass). **Distribution:** direct sales. **Employees:** 63 (as of June 30, 1992). **Machinery:** wire weaving and coiling machines, assembly facilities.

(DD–10) **Meißner Sondermaschinen und Werkzeugbau GmbH,** O-8250 Meißen. **Products/Services:** special machines for sheet metal processing (including NC), conventional sheet metal processing machines; structural steel engineering. **Turnover 1991:** DM 15.2 million. **Key Markets:** 30 % individual processing machines for sheet metal, 15 % metal-working, 25 % structural steel engineering, 30 % other. **Distribution:** representatives, distribution office for North Rhine Westphalia, establishment of contact offices in west Germany, export to C.I.S. through Hermes insurance. **Employees:** 189 (as of June 30, 1992). **Machinery:** universal machine tools, computer-controlled rack warehouse. **Real Estate:** 13,000 m² built-up, 8,000 m² non-operating.

(DD–11) **Schmiedeberger Gießerei GmbH,** O-8239 Schmiedeberg. **Products/Services:** production of malleable cast iron (7000 t capacity), production of gray cast iron (3500 t capacity). **Turnover 1991:** DM 8.8 million. **Key Markets:** 1991–2800 t gray cast iron, 2400 t malleable cast iron; 50 % west Germany, 50 % east Germany. **Distribution:** direct sales (custom casting). **Employees:** 160 (as of June 30, 1992). **Machinery:** complete foundry facilities. **Real Estate:** 37,160 m² built-up, 23,091 m² non-operating.

(DD–12) **VETECH Küchentechnik GmbH,** O-8291 Piskowitz. **Products/Services:** commercial kitchen equipment, field kitchens, high-pressure cleaning systems, metal cabinets, shop carts, hand trucks. **Turnover 1991:** DM 2.5 million. **Key Markets:** 70 % east Germany, 30 % west Germany. **Distribution:** 70 % through trading agents, 30 % own distribution network. **Employees:** 75 (as of June 30, 1992). **Machinery:** welding equipment, stamping and drawing facilities, sand blasting, varnishing shop, staining plant, assembly. **Real Estate:** 48,800 m² built-up, 12,200 m² non-operating.

Electrical Engineering

(DD–13) **Fahrzeugelektrik Pirna GmbH,** O-8300 Pirna. **Products/Services:** mechanical, electromagnetic, hydraulic switches; plug-in connectors, fuse boxes; 85 % cable sets, 9 % tool manufacturing, 5 % jobbing (lathe work, assembly, plastic injection-moulding and stamping), 1 % mobile-phone brackets. **Turnover 1991:** DM 10 million. **Key Markets:** 54 % east Germany, 23 % west Germany, 14 % western Europe, 9 % eastern Europe / vehicles equipment: approx. 800 customers, 2 of which are large customers: 33 %. **Distribution:** direct sales from factory, retail chains. **Employees:** 130 (as of June 30, 1992). **Machinery:** stamping plant, automatic lathes, mechanical processing, tool manufacturing, plastic moulding machines.

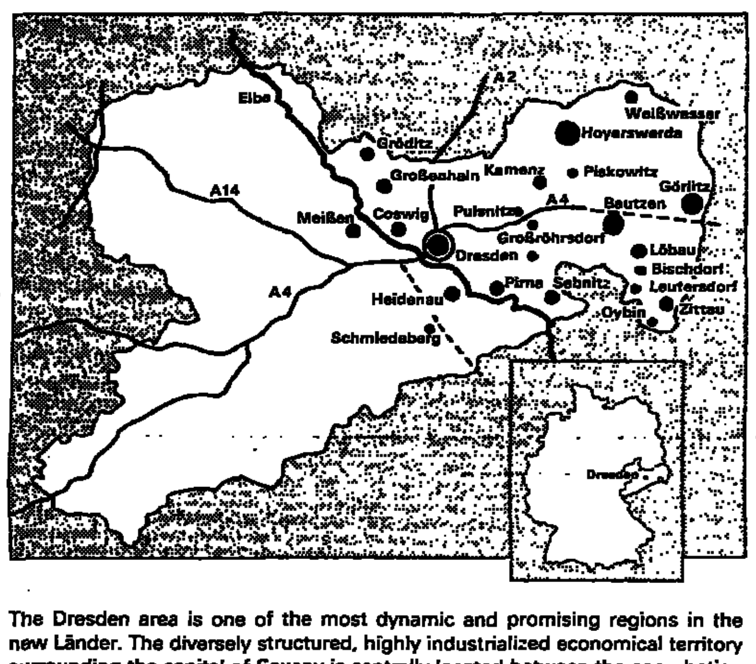
Wood, Paper, Printing Industries

(DD–14) **Kamenzer Polstermöbel GmbH,** O-8290 Kamenz. **Products/Services:** upholstered furniture (in-house frame construction), assortment of functional furniture including double-bed sofas, corner sofas with pull-out beds, upholstered corner airmchairs with table and pull-out-beds, reclining chairs, armchairs and stools. **Turnover 1991:** DM 3.1 million. **Key Markets:** east Germany. **Distribution:** sales through retailers/ purchasing association. **Employees:** 39 (as of June 30, 1992). **Machinery:** hand and electrical tools. **Real Estate:** 3968 m² built-up, 7848 m² non-operating.

(DD–15) **Möbelwerke Heidenau GmbH,** O-8312 Heidenau. **Products/Services:** bedroom, office, and childrens furniture; interior refurbishment for hotels/pensions. **Turnover 1991:** DM 9.7 million. **Key Markets:** Europe, various Arabian countries. **Distribution:** own distribution system. **Employees:** 118 (as of June 30, 1992). **Machinery:** 40 % less than 7 years old. **Real Estate:** 19,793 m² built-up, 5200 m² non-operating.

(DD–16) **Polstermöbel GmbH Sebnitz,** O-8360 Sebnitz. **Products/Services:** upholstered furniture. **Turnover 1991:** DM 1,2 million. **Key Markets:** 100 % east Germany. **Distribution:** own distribution system. **Employees:** 30 (as of June 30, 1992). **Machinery:** 50 % less than 5 years old. **Real Estate:** 1360 m² built-up, 1185 m² non-operating.

(DD–17) **Polstermöbel & Matratzen GmbH,** O-8402 Gröditz. **Products/Services:** mattresses, mattress covers, upholstered furniture and sofa beds. **Turnover 1991:** DM 5.9 million. **Key Markets:** primarily sold through retailers in east Germany. **Distribution:** field service. **Employees:** 103 (as of June 30, 1992). **Machinery:** sewing and quilting machines. **Real Estate:** 14,392 m² built-up, 22,460 m² non-operating; (areas not essential to operations will be sold separately through TLG).



The Dresden area is one of the most dynamic and promising regions in the new Länder. The diversely structured, highly industrialized economical territory surrounding the capital of Saxony is centrally located between the conurbation of Leipzig/Halle, Berlin, Silesia and Bohemia.

Textiles, Leather

(DD–18) **Oberlausitzer Volltuchfabrik GmbH,** O-8900 Görlitz. **Products/Services:** worsted yarn fabrics for outer ladies' and men's wear; fabrics for uniforms. **Turnover 1991:** DM 4 million. **Key Markets:** 90 % Germany, 10 % France. **Distribution:** through agents and own distribution system. **Employees:** 115 (as of June 30, 1992). **Machinery:** complete facilities for fabric worsted yarn fabrics; weaving equipment built in 1987. **Real Estate:** after concentration to location, 4573 m² built-up, 18,071 m² non-operating.

(DD–19) **Schuhfabrik Duett Großharthau GmbH,** O-8504 Großharthau. **Products/Services:** slippers, leasure time footwear, bathing shoes, and indoor gymnastics shoes. **Turnover 1991:** DM 4.1 million. **Key Markets:** sales primarily in east Germany; distributors, department stores. **Distribution:** own distribution network. **Employees:** 92 (as of June 30, 1992). **Machinery:** PVC injection moulding machines, punching machines, sewing machines. **Real Estate:** 13,000 m² built-up, 15,000 m² non-operating.

(DD–20) **tegewa GmbH,** O-8514 Pulsnitz. **Products/Services:** industrial fabrics, tent/awning materials, fabrics for working dresses, large-format umbrellas, manufacture of ready-to-wear work clothes. **Turnover 1991:** DM 4.5 million. **Key Markets:** 60 % Germany/industrial fabrics, 20 % work clothing, 20 % large-format umbrellas. **Distribution:** own distribution system, incl. partners in west Germany. **Employees:** 92 (as of June 30, 1992). **Machinery:** 44 weaving machines (Fant./France), 68 sewing machines (Adler, Singer, Minerva). **Real Estate:** after concentration of location, 25,558 m² built-up, 1770 m² non-operating.

Food, Semi-Luxury Articles and Tobacco

(DD–21) **Getreideverarbeitung GmbH Görlitz,** O-8900 Görlitz. **Products/Services:** grain and oil seed trade; production and sales of mixed fourage, flours. **Turnover 1991:** DM 22.3 million. **Key Markets:** cereals: mills, oil production, agriculture, bakeries. **Distribution:** own distribution system. **Employees:** 52 (as of June 30, 1992). **Machinery:** drying facilities, cleaning and dust removal equipment. **Real Estate:** 121,300 m² total area; (areas not essential to operations will be sold separately through TLG).

(DD–22) **Nordstern Görlitz GmbH Weinkellerei und Vertrieb,** O-8900 Görlitz. **Products/Services:** bottling of wine, 0.75 l, production and bolthing wine cocktails, vermouth, warm/cold bottling of wine and cocktails. **Turnover 1991:** DM 1.7 million. **Key Markets:** established customer, retail chains. **Distribution:** representatives in Saxony. **Employees:** 32 (as of June 30, 1992). **Machinery:** winemaking and bottling equipment. **Real Estate:** 4500 m² built-up, 14,500 m² non-operating.

(DD–23) **Das Sächsische Bäckerhaus Meißen GmbH,** O-8250 Meißen. **Products/Services:** baked goods 70 %, pastries 30 %. **Turnover 1991:** DM 4.9 million. **Key Markets:** 100% east Germany; baked goods in the Meißen area, ice cream in Brandenburg and larger Meißen areas. **Distribution:** ice cream distribution, company-operated distribution and sales outlets. **Employees:** 86 (as of June 30, 1992). **Machinery:** baking ovens, roll making machines. **Real Estate:** 6427 m² after concentration to one location.

Construction, Civil Engineering and Building Trades

(DD–24) **Hoch- und Tiefbau GmbH Weißwasser,** O-7580 Weißwasser. **Products/Services:** underground and road construction, turnkey construction and refurbishment of apartment and other buildings; floor tiling work and sales; sanitary and heating services. **Turnover 1991:** DM 8.8 million. **Key Markets:** communities, Bundeswehr, enterprises, private customers. **Employees:** 156 (as of June 30, 1992). **Machinery:** construction equipment, wood and metal working machines, trucks, cars. **Real Estate:** 4428 m² built-up, 85,012 m² non-operating; (areas not essential to operations will be sold separately through TLG).

(DD–25) **Meißner Ingenieurbau GmbH,** O-8250 Meißen. **Products/Services:** electrical installations, underground construction, civil engineering, on-site production, industrial buildings, concrete and reinforced concrete production, turnkey buildings. **Turnover 1991:** DM 27 million. **Key Markets:** west/east Germany, industrial buildings, housing construction, civil engineering, road construction. **Employees:** 251 (as of June 30, 1992). **Machinery:** building facilities and machines. **Real Estate:** 10,000 m² built-up, 23,000 m² non-operating.

(DD–26) **Sächsische Fertigteilbau GmbH Coswig,** O-8270 Coswig. **Products/Services:** civil engineering, refurbishment, turnkey construction. **Turnover 1991:** DM 34.3 million. **Key Markets:** house construction, civil engineering, refurbishment. **Distribution:** direct sales, participation in tenders. **Employees:** 200 (as of June 30, 1992). **Machinery:** standard building machinery, outlet for sale of building material. **Real Estate:** 40,000 m².

(DD–27) **Sanitär, Klempner & Elektro GmbH Löbau,** O-8700 Löbau. **Products/Services:** sanitary, heating and electrical installations, painting, roof plumbing. **Turnover 1991:** DM 4.4 million. **Key Markets:** 40 % sanitary, 27 % plumbing, 21 % electrical, 10 % heating, 2 % painting. **Distribution:** sales of sanitary articles. **Employees:** 68 and 4 apprentices (as of June 30, 1992). **Real Estate:** 2353 m² built-up, 7301 m² non-operating.

Trade

(DD–28) **Dresdner Textilhandelsgesellschaft mbH DTHG,** O-8010 Dresden. **Products/Services:** wholesale and retail for textiles and clothing. **Turnover 1991:** DM 52.3 million. **Key Markets:** east Germany. **Distribution:** retailing and direct sales. **Employees:** 193 (as of June 30, 1992). **Machinery:** car/truck motor pool.

Services

(DD–29) **BMB-GmbH Baumechanisierung und Beteiligungsgesellschaft mbH,** O-8010 Dresden. **Products/Services:** engineering office, waste disposal services (30 %), and temporary job center (70 %). **Turnover 1991:** DM 2.8 million. **Key Markets:** east Germany. **Distribution:** direct sales. **Employees:** 12 (as of June 30, 1992).

(DD–30) **DV Bau Service GmbH,** O-8010 Dresden. **Products/Services:** data processing services. **Turnover 1991:** DM 2.3 million. **Distribution:** direct acquisitions. **Employees:** 32 (as of March 30, 1992). **Machinery:** IBM mainframe computer (IBM 4331), leased. **Real Estate:** approx. 7000 m² office space, of which approx. 6500 m² are let.

(DD–31) **Textil- und Chemischreinigungs-GmbH Schwanenweiß,** O-7700 Hoyerswerda. **Products/Services:** laundry, textile cleaning. **Turnover 1991:** DM 4.6 million. **Key Markets:** 90 % laundering services, 10 % textile cleaning; 75 % of turnover from annual contracts. **Distribution:** 4 drop-off/pick-up outlets. **Employees:** 91, 29 of which are short-time workers; (as of June 30, 1992). **Machinery:** new laundering and ironing line (1991), steam generator (1992). **Real Estate:** 27,946 m² total area: (areas not essential to operations will be sold separately through TLG).

Other

(DD–32) **Leutersdorfer Baumschulen GmbH,** O-8807 Leutersdorf. **Products/Services:** nursery for deciduous and fruit trees, roses; approx 90 % of demand is home-grown. **Turnover 1991:** DM 1.9 million. **Key Markets:** sales primarily in south of east Germany; deciduous trees account for 75 % of sales and are moving toward 80 %. **Distribution:** direct sales, city landscape offices (40 %), communities (40 %), individual customers (20 %). **Employees:** 44 (as of June 30, 1992). **Machinery:** farming tractors, trucks and computers have been replaced.

Tender conditions

1. In accordance with its legal mandate, the Treuhandanstalt Dresden Branch intends to sell the aforementioned companies by means of a tender. All offered companies are in the legal form of a limited liability company (GmbH). They are all located in the region around the city of Dresden. Bids must be placed for the total share capital of the company.
2. Anyone is entitled to bid.
3. In deciding among the bids, the Treuhandanstalt will take into consideration, among other things, the bid price, the business plan submitted, promises to maintain or create jobs, and pledges to invest, each of which will be considered part of the bid.
4. Interested parties can obtain further information without charge from the Tender Office, Treuhand Dresden Branch. The Treuhandanstalt is not responsible for the accuracy and completeness of this information. Prospective bidders will receive written authorization from the Tender Office, Dresden Branch to visit the companies, on the basis of which additional information will then be provided by the company management.
5. Bids are to be submitted in a sealed envelope marked only with the name of the company for which the bid is submitted.
6. Bids must be received at the Treuhandanstalt Dresden Branch, no later than 2:00 p.m. (local time), on September 1, 1992 (the „closing date"). They will be opened immediately thereafter in the presence of a notary public. Bids must be in Deutsche Mark and shall remain valid for ninety (90) days after the closing date.
7. Bids must be submitted together with a bond of five (5) per cent of the bid value in the form of an irrevocable bank guarantee valid for ninety (90) days after the closing date. The bid bond will become due only if the bidder either fails to hold his bid open during the required period or refuses to sign a contract in accordance with his bid.
8. The Treuhandanstalt will decide on the bids within ninety (90) days ather the closing date. The Treuhandanstalt is not bound to accept any bid and may accept a bid other than the highest.
9. To the extent that a previous owner has submitted a claim seeking restitution (in whole or in part) of a company, a sale will require either the approval of the claimant or a decision in accordance with the applicable law, section 3a VermG and/or section 2 BInvG.

Office hours of the Tender Office, Treuhandanstalt Dresden Branch are:
Monday through Friday from 9:00 a.m. until 4:0 p.m. (local time)

Treuhandanstalt
Niederlassung Dresden

Additional information, company profiles and authorizations for visits are available from:
Treuhandanstalt Niederlassung Dresden, Webergasse 2, O-8010 Dresden
Telephone: +0351-502 3200, Telefax: +0351 595 2469

Investments boost Bankers Trust

By Patrick Harverson in New York

BANKERS Trust yesterday reported an 11 per cent improvement in second-quarter profits to $205m, making it the second-best quarter in the New York banking group's history. Return on equity for the three months was 26 per cent.

Mr Charles Sanford, chairman (pictured right), said every leading business line contributed to the strong quarter, but he gave a special mention to the record-breaking performance of the bank's global capital markets operations, which use financial derivatives to provide clients with risk management services.

Bankers Trust said strong worldwide demand for the banks' traditional derivatives products – such as interest rate, currency and equity swaps and options – lifted trading revenue, which comprises both client-related and proprietary business, to $335m, up from $329m in the same quarter a year ago.

Earnings from fiduciary and fund management rose sharply in the quarter, climbing 28 per cent to $180m following higher revenues from asset management activities, particularly performance-based foreign exchange funds management for institutional clients and private banking services.

Fees and commissions rose $12m to $137m, with corporate finance fees receiving a lift

from demand for securities underwriting.

Bankers Trust is one of only two US banks – J.P. Morgan is the other – allowed by regulators to underwrite and deal in US securities.

Net interest revenue rose 29 per cent in the quarter to $252m, thanks to a big rise in interest-earning assets and an improved interest rate spread. Non-interest expenses increased 9 per cent to $589m.

Provision for credit losses in the April-to-June period was $75m, compared with $52m a year ago, and Bankers Trust's net charge-offs totalled $109m, the bulk of which was related to non-refinancing country loans.

On the New York Stock Exchange Bankers Trust's shares rose $¾ to $61 in early trading.

Chemical Banking income climbs 30%

By Alan Friedman in New York

CHEMICAL BANKING, the third biggest US bank formed recently by the merger of Chemical Bank and Manufacturers Hanover Trust, unveiled a 30 per cent rise in second-quarter net profits to $240m.

For the first six months of 1992 the net income was $500m, up by 37 per cent year-on-year.

These are the first quarterly results from Chemical since the merger was formally completed last month, and the comparative 1991 figures cited represent a pooling of the two precursor banks. Combined total assets are now $142bn.

Earnings per share in the second quarter were unchanged year-on-year at 83 cents, while the net income per share for the first six months was $1.83, against $1.67 in the first half of 1991.

The earnings per share figures are affected, however, by the fact that the bank sold 57.5m new shares last January, in an issue that raised $1.5bn.

Mr John McGillicuddy, chairman, said the bank's earnings momentum continued in the second quarter, with strong results in most businesses. He said pre-tax earnings were 72 per cent improved year-on-year and the results were achieved against the backdrop of high bad-debt provisions and loan write-offs.

Net interest income in the second quarter improved 14 per cent at $1.1bn, while non-interest revenues were $744m, up from $713m a year ago.

Bad debt provisions were $345m in the second quarter, compared with $303m a year ago and $375m in the first quarter of 1992. Mr McGillicuddy said the provision level would decline during the rest of the year.

Non-performing assets were $6.56bn at the end of June, about the same level as a year ago and more than $300m higher than the level at the end of March 1992.

Commercial loan write-offs during the quarter amounted to $345m, up from $273m a year ago. If less-developed-country write-offs are added, the figures rise to $398m, against $759m a year ago.

Total staff at the end of last month was 39,974, down by 4,528 since the merger was first announced last July.

The bank said its cost saving plan was proceeding ahead of schedule, with expected annual savings of $280m by year-end, up from the original target of $225m.

It said it was well on its way to exceeding the annual $750m savings by 1995, projected at the time of the merger.

Securities losses hold back net at S Korean banks

By John Burton in Seoul

TOTAL operating profits at South Korea's 21 commercial banks rose 39.1 per cent to Won1,128bn ($1.43bn) during the first half of 1992. Net profits, however, increased by only 9.9 per cent to Won332bn, according to the country's Office of Bank Supervision.

The slower growth in net profits was blamed on appraisal losses on securities due to the slump in the Seoul bourse, as well as increased loan-loss provisions as bankruptcies rose 66 per cent to a record level.

The six main commercial banks – Cho Hung, Commercial Bank, Korea First, Hanil, Bank of Seoul and Korea Exchange – reported total net profits of Won133.6bn, an increase of 2.2 per cent. They have larger securities holdings than the provincial banks and a bigger exposure in corporate lending.

Operating profits among the six main banks rose 51.1 per cent to Won712.1bn.

The sharp rise in operating earnings reflected the big interest rate margins enjoyed by Korean banks. The interest rate margin is around 4.5 per cent compared with 2.3 per cent for US banks and 1.9 per cent for Japanese banks.

Although interest rate margins on short-term funds have expanded due to recent financial deregulation measures, controls remain on other interest rates.

Total interest income rose 34.1 per cent to Won1,440.7bn. Non-interest income, including premiums and foreign exchange gains, increased by 20.2 per cent to Won543.9bn.

Cost grew at slower pace than income, up 24.7 per cent.

Korea First Bank had the highest operating profits at Won139.9bn, an increase of 59.9 per cent. It also reported the largest increase in net profits among the main commercial banks, with a rise of 112.6 per cent to Won45.7bn.

Hanil had the largest net profits at Won48.3bn, an increase of 3.6 per cent. It ranked second in terms of operating profit at Won130.3, a rise of 36.9 per cent.

Cho Hung reported a 34.9 per cent increase in operating profits to Won124.8bn, but net profits fell 58.7 per cent to Won12.6bn, the steepest decline among the main banks.

Korea Exchange had the highest increase in operating profits among the main banks, with a 107.5 per cent rise to Won124.1bn. Net earnings rose 40.3 per cent to Won10.1bn.

Commercial Bank had a 46.5 per cent increase in operating profits to Won108.3bn, but net earnings fell 15.6 per cent to Won12.4bn.

The Bank of Seoul suffered a 55.9 per cent drop in net earnings to Won4.5bn, although operating profit rose by 35.5 per cent to Won84.7bn.

Shinhan, a Seoul-based bank, was the most profitable in the country with net earnings of Won65.8, an increase of 7.3 per cent. It also had the second highest operating profits at Won130.5bn, a rise of 48.5 per cent.

SOUTH Korea's three largest consumer electronics groups reported mixed sales results for the first five months of 1992, writes John Burton.

Samsung Electronics, the biggest electronics concern, achieved a 2.1 per cent rise in turnover to Won709bn ($902.6m).

It said sales of colour TVs and audio systems rose 8 per cent, while demand for VCRs slid 16.4 per cent.

Sales of air conditioners also plunged 50.5 per cent. This was due to a government campaign to discourage their use in order to save electricity and reduce the country's oil import bill.

Goldstar unveiled a 3.5 per cent drop in sales to Won507.5bn due to lower demand for VCRs, washing machines, refrigerators and air conditioners. Sales of audio systems, however, rose 11 per cent, while microwave oven sales rose 29 per cent.

Daewoo reported a 21 per cent jump in sales to Won302.3bn. The introduction of a new "air bubble" washing machine resulted in a 172 per cent increase in washing machine sales, to Won53.5bn. Colour TV sales rose 85 per cent to Won42.7bn.

Anheuser climbs to $317.2m

By Nikki Tait in New York

ANHEUSER-Busch, the biggest brewer in the US, yesterday reported second-quarter profits of $317.2m, up from $266.7m in the same period a year earlier. Earnings per share increased from 99 cents to $1.09 on a fully-diluted basis.

Anheuser scored the increase on sales of $3.38bn, up from $3.26bn in the second quarter of 1991. This takes sales for the first half of 1992 to $6.4bn from $6.18bn, and after-tax profits to $541.2m, against $487.6m.

The St Louis-based company said its second-quarter results reflected higher profits from all its main business units and lower financing costs.

It acknowledged that economic recovery was proceeding at "moderate pace," and that this was dampening volume growth, but said it was optimistic of "another good year".

Aerolíneas sell-off collapses

By John Barham in Buenos Aires

ARGENTINA has partially re-nationalised its flag carrier, Aerolíneas Argentinas, 21 months after it sold the company to a group of local and Spanish investors led by Iberia, Spain's national airline.

The collapse of Argentina's first big privatisation is a blow to the government's ambitious programme, under which it plans to sell nearly all its state companies by December.

The government was forced to raise its holding in Aerolíneas to 33 per cent from 5 per cent because local minority investors were unable to inject fresh funds into the loss-making company.

However, Mr Domingo Cavallo, economy minister, said Iberia would continue managing the airline. He said the state hoped to sell its Aerolineas shares as soon as is advisable.

Iberia's 30 per cent holding, the 19 per cent held by Spanish banks, and the 10 per cent owned by the employees remains unaltered.

The government raised its stake at the expense of the minority Argentine investors, whose holdings have fallen to 8 per cent. It will not pay for the shares.

Instead, the government cancelled $21.7m in debts still owed to it by the buyers. It is expected to subscribe over $145m worth of new shares during the year.

The re-nationalisation of Aerolíneas is the latest chapter in a saga of disputes between the government and the airline's new owners, and between the consortium that began even before the ink had dried on the sale contract.

The disputes arose from the inability of the under-capitalised Argentine investors to finance the loss-making company. The government and the operators also argued over the terms and price to be paid for the company.

According to its initial financial accounts, Aerolineas lost $25.8m in its first seven months under Iberia's management. The government has agreed to Iberia's request to review a mandatory $684m, five-year investment programme.

Banc One plans ATM venture

By Karen Zagor in New York

BANC ONE, the expansionist Ohio-based commercial banking group, has acquired an Illinois-based bank in a stock deal valued at about $125m. In a separate deal it said it was joining forces with three other regional banking companies to form an electronic payment services company.

Banc One will form a new company, Electronic Payment Services, in a joint venture with CoreStates Financial, PNC Financial and Society Corporation.

It said the new company will be the largest US processor of automated teller machine transactions, with about 20 per cent of the national switched volume. The new company will also be a leading provider of electronic point-of-sale transaction process services.

Banc One said the new company will process about 1bn annual ATM transactions, with core markets in the Middle Atlantic and Midwest regions. Its annual revenue will be more than $200m.

The four banking groups will all be equity partners in the company. The joint venture will not have a material effect on the financial statements of Banc One, PNC and Society. CoreStates will realise a gain of about $23m and a rise of $100m in its tangible equity.

Banc One's merger with Illinois-based First Community Bancorp will not be completed until the first half of 1993. It is structured as a tax-free reorganisation and is subject to shareholder and regulatory approval.

The terms of the deal are based on Banc One's common stock price. If the market value of Banc One's stock is between $47 and $51 a share, the exchange rate will result in a market equivalent value of $31.96 in Banc One common stock.

If the market price of Banc One climbs above $51, First Community shareholders will receive 0.6267 shares of Banc One stock for each share in First Community. If the market price of Banc One stock falls below $47, First Community Shareholders will receive 0.68 Banc One shares.

They will also have the right to terminate the agreement if the market price of Banc One falls below $43 immediately before the transaction closes. At midday yesterday, Banc One shares Banc One were $½ lower at $43¾.

First Community Bancorp operates three banks and seven offices with assets of $797m. Banc One, with assets of $48.4bn, is establishing itself as an important financial institution through a series of acquisitions. It expects total assets to stand at over $75bn by the end of the year, when it completes several previously announced acquisitions.

Union Pacific surges 35% in second quarter

By Nikki Tait in New York

UNION PACIFIC, the US transportation company, yesterday reported a 35 per cent rise in second-quarter profits, at $206m after tax.

The advance lifted net profits for the first months to $351m, compared with $286m in the same period of 1991.

At the operating level, Union Pacific's second-quarter figures improved more modestly – profits were up 15 per cent at $376m – but the company said there had been "strong gains" in all its businesses.

The railroad division pushed up earnings by almost 9 per cent at $158m and, despite a two-day shutdown in June, car loadings rose by 2 per cent.

The strongest growth, said the company, came from cars, metals and minerals and grain.

Union Pacific shares rose $⅜ to $50⅝ on the news.

Hershey moves ahead to $34.5m

HERSHEY Foods, the largest publicly-traded manufacturer of chocolate and confectionery products in the US, saw second-quarter profits rise to $34.5m after tax, from $31.9m a year earlier, writes Nikki Tait in New York.

This takes after-tax earnings for the first six months of the year to $93.4m, compared with $80.5m in the same period of 1991.

Zinc price helps Cominco turnround

By Bernard Simon in Toronto

A SHARP rise in zinc prices helped push Cominco, the Canadian base metals and fertiliser producer, back into the black in the second quarter.

Earnings were C$18.1m, (US$15m), or 22 cents a share, up from C$7.3m, or eight cents a share, a year earlier. The company suffered a C$4.9m loss in the first quarter of 1992.

Sales rose to C$416.6m from C$386.1m.

The zinc price was about 20 per cent higher in the second quarter than a year earlier. In spite of a fall in prices for other metals, sales volumes of lead and nickel climbed substantially. Operating profit from mining and minerals climbed to C$146.1m from C$132m.

Fertiliser volumes were higher, but were offset by a continued slide in prices. Operating profit from fertilisers advanced to C$22.4m from C$18.1m.

Cominco confirmed that a decision on the future of its troubled lead smelter at Trail, British Columbia, has been delayed until late this year or early 1993. The company said its Quebrada Bianca project in Chile was scheduled to be brought on stream in mid-1994.

● Rio Algom, a diversified Canadian mining group formerly 51 per cent controlled by RTZ, recorded higher second-quarter earnings with better potash and copper results and a more favourable exchange rate. But performance of its uranium, coal and metals distribution units weakened.

Profits were C$8.2m, or 17 cents a share, against C$6.4m, or 13 cents a year earlier, on revenues of C$264m against C$267m. First-half earnings dipped to C$13m, or 27 cents a share, from C$20.4m, or 44 cents, a year earlier, on sales of C$507m against C$540m.

The 1992 period included a special loss of C$5.8m by its Nova Scotia tin mining operation recently shut down. Also uranium, metals distribution and investment income was lower. Earlier this month RTZ completed the sale of its 51.5 per cent interest for C$362m through a secondary offering.

July 1992

ALLFLEX HOLDINGS LTD

(New Zealand)

has sold its

PET FOOD DIVISION

to

NESTLE New Zealand Limited

BANEXI (UK) LTD

acted as adviser to Allflex Holdings Ltd in this transaction

BANEXI

Paris - New York - London

Brussels - Frankfurt - Düsseldorf - Milan

Madrid - Barcelona - Lisbon

BNP GROUP

O&Y loans hit Montreal Trustco

By Robert Gibbens in Montreal

MONTREAL Trustco, the financial services arm of BCE, has posted a first-half loss of C$52.5m (US$43.70), or $1.39 a share, on revenues of C$673m, after special provisions of C$94m. They included C$50m to cover loans to Olympia & York Developments.

A year earlier, the company earned C$29.1m, or 65 cents a share, on revenues of $770m.

The second-quarter loss this year was C$58.5m, or C$1.51, after the special provisions, against a profit of C$14m, or 31 cents, a year earlier.

● Co-Steel, the Canadian mill group that owns Sheerness Steel in the UK, continues to feel the impact of low prices, although North American markets are improving.

One of the few North American steelmakers to post a profit in 1991, Co-Steel reported second-quarter net income of C$1m, or 4 cents a share, on sales of C$251m.

The year-to-year comparison was distorted by special tax factors.

American Brands rises to $202.6m

AMERICAN Brands, the tobacco and consumer products conglomerate, reported an 8.7 per cent increase in second-quarter profits to $202.6m after tax, writes Nikki Tait.

Total revenues rose by 10.5 per cent to $3.25bn, and net profits for the first six months of the year were up by 11.3 per cent to $447.8m.

Mr William Alley, the company's chairman, conceded the economic environment had been tough, and price competition had intensified "in almost every market".

Operating profit from tobacco, the largest single division, increased by 7.2 per cent in the second quarter, to $231.2m, while life insurance profits were up by 15.9 per cent to $42.9m.

The drinks side saw the largest profits rise, up 35.3 per cent at $44.5m, but this partly reflected the acquisition of seven spirit brands from Canada's Seagram in 1991.

Premium expected on GIO

By Kevin Brown in Sydney

GIO Australia Holdings, the recently privatised insurance group, is expected to trade at a small premium when the shares are listed on the Australian stock exchange today.

Brokers said GIO, formerly owned by the state government of New South Wales, would probably trade at a premium of about 20 cents to the flotation price of A$2.40.

Brokers had earlier suggested the shares would list at up to A$2.90, but forecasts have been reduced in line with general weakness in the Australian market.

The A$1.2bn (US$890bn) flotation, the biggest privatisation in Australia, closed A$1bn oversubscribed just 36 hours after it opened. More than 75 per cent of the 500m shares were sold to small investors in parcels of less than 5,000.

GIO is expected to announce that it is to acquire SIO, formerly the state insurance office of Victoria, being sold by the state government.

● Southern Cross Airlines, which hopes to resurrect Compass Airlines next month, is expected to begin trading today at a discount to its flotation price of A$0.50.

The A$50m Southern Cross flotation was 46 per cent undersubscribed, mainly because of worries about competition among airlines following deregulation of the domestic aviation market in October 1990.

Compass, which has been acquired by Southern Cross, collapsed in December after losing a fare-cutting battle with government-owned Australian Airlines and Ansett Australia, owned by TNT and News Corporation.

The relaunched Compass plans to concentrate on high frequency routes on Australia's eastern seaboard, initially using a fleet of five 142-seat MD-80 aircraft flying between six cities.

Southern Cross has forecast a net loss of A$7.75m for 1992-93, followed by a net profit of A$13.23m in the following year.

McCarthy seeks new markets in retail link

By Philip Gawith in Johannesburg

McCARTHY, South Africa's largest car sales group, and Prefcor, a mass-market retailer, are joining forces.

The newly-merged group, McCarthy Prefcor, will have annual turnover of R4.5bn ($1.63bn) and a market capitalisation of R900m. McCarthy is acquiring Prefhold through issue of its paper. It will then sell some Prefhold subsidiaries.

McCarthy, a mature business, is seeking diversification. It is joining Prefhold, a young group, to benefit from prospects in consumer durables and clothing.

McCarthy, in which Anglo-American holds 37 per cent, is a doyen of South Africa's business establishment. It contrasts dramatically with Prefhold, which has a more informal management ethos.

The deal also breaks new ground for Anglo because it offers it exposure to mass-market retailing.

Anglo and its industrial arm, Amic, hold 37 per cent of McCarthy. After the merger, this stake will be reduced to between 20 and 27 per cent, depending on the degree of acceptance of McCarthy's offer to Prefhold.

Mr Brian McCarthy will be chairman of the enlarged group.

Japanese car parts maker enters Europe

By John Griffiths

PRESS Kogyo, a leading Japanese producer of pressed components for vehicles, has acquired a 43.9 per cent stake in Press and Platgruppen (PPG) of Sweden for just under Y600m ($4.8m).

Following the acquisition, PPG is to set up a venture, Press and Plat, in Tongeren, Belgium, to supply pressings to Volvo's Belgian car production plant.

Production is to start next year, with sales expected to reach SKr61m ($11.3m) in 1994 and SKr90m a year later. Isuzu Motors, Nissan Motor and Mitsubishi Motors each have minor shareholdings in Press Kogyo.

Europe's components industry is likely to take a wary view of the announcement.

Japanese car makers setting up "transplant" manufacturing operations in Europe – notably Nissan, Toyota and Honda in the UK – have stressed they do not want to draw in large numbers of Japanese component suppliers in their wake.

However, there has been a slow increase in the number of Japanese suppliers establishing bases or joint ventures in Europe.

As part of the announcement, Press Kogyo said the new venture would also consider sales to Japanese car makers' European production plants later.

Benetton MD steps down

By Haig Simonian in Milan

BENETTON, the Italian clothing group, suffered an unexpected blow yesterday with the announcement that Mr Emilio Fossati is to step down as managing director. The news triggered a slump in the share price to L10,788 from L11,320 on Tuesday.

Benetton, which is controlled by four members of the founding family, has had some difficulty retaining senior executives from outside the immediate family circle. In 1990, Mr Aldo Palmeri, a former Bank of Italy official and Mr Fossati's immediate predecessor, left the company for a top job at Citibank in Milan.

Mr Fossati, a former managing director of the Mondadori publishing group, is to begin a new career as an entrepreneur. He will remain on Benetton's board until 1994. His functions as managing director will be taken up by Mr Gilberto Benetton, the chairman, pending the appointment of a successor.

● Mr Giuseppe Bruno, for eight years in charge of the London branch of Credito Italiano and most recently the head of the bank's domestic and foreign markets division, has been appointed joint managing director.

Outlook for US property market remains bleak

By Alan Friedman

COOPERS & Lybrand, the accounting firm, concludes in a gloomy study of the US property market that it will take about 12 years to absorb all the vacant office space across the country.

The study reveals "a nation that is awash in vacancies" and says there is ample justification for the bearish state of the development and construction industries.

The survey reports there are 62 sq ft of empty office space for every US office worker and close to 52 sq ft of unoccupied shop floor for every industrial worker.

Across the US, Coopers & Lybrand says 1m hotel rooms a day are unfilled and the equivalent of 3,800 shopping centres stand idle.

"These numbers indicate just how pervasive and enduring a problem was caused by the massive overbuilding of the last decade," said Mr Bjorn Hanson, chairman of Coopers & Lybrand's national property division.

The report summarises significant land uses throughout the country across property types, and it charts inventories, vacancy rates and the outlook. The worst surfeit of space is among office properties, where the national vacancy rate now exceeds 19 per cent.

Absorption of vacant office space will take at least 12 years and even under the most optimistic scenario, Coopers & Lybrand forecasts it will be 1999 before there is a return to traditional rate of vacancy.

The hotel segment is about four years away from its normal supply-demand equilibrium, in spite of the fact that its vacancy level of 38.7 per cent is only running at 4.7 percentage points above the traditional rate.

On the industrial side, the survey concludes it will take three years to shave the segment's 9.7 per cent vacancy rate back to more traditional levels of 5 per cent to 7 per cent.

An economic recovery would do little to help the retail segment, where the study notes it would take at least three years to fill enough empty stores to bring double-digit vacancies back to a normal range.

By far the brightest spot on the horizon for the property market is on the residential side, where Coopers & Lybrand finds potential tenants and owners at least outnumber the available housing stock.

Single-family and apartment occupancy could return to normal within a year if consumer confidence continues to recover, the study says.

Which FINANCIAL TIMES NEWSLETTER *should* YOU *be reading?*

Designed for the specialist who must have accurate, well-researched information, Financial Times Newsletters will give you that essential competitive edge.

Each newsletter is edited by an acknowledged expert who has unique access to the best sources, including the FT Group's international network. This exclusive information enables Financial Times Newsletters to be first to cover the crucial issues.

Our editorial team works to exacting standards, supplying subscribers with concise, authoritative analysis, comment and interpretation.

To obtain that essential competitive edge, which Financial Times Newsletter should you be reading?

Find out now by receiving up to FOUR FREE sample copies.

EASTERN EUROPE

East European Business Law
East European Energy Report
East European Insurance Report
East European Markets
Finance East Europe

ENERGY

Coal UK
East European Energy Report
EC Energy Monthly
Energy Economist
European Energy Report
International Coal Report
International Gas Report
North Sea Letter
IEA Oil Market Report.
Power in Asia
Power in Europe
Rig Market Forecast

FINANCE

Credit Ratings International
East European Markets
Finance East Europe
Financial Regulation Report
International Trade Finance
World Accounting Report
World Tax Report

FREIGHT MANAGEMENT

European Freight Management

INSURANCE

East European Insurance Report
World Insurance Report
World Policy Guide

INTERNATIONAL MARKETS

German Brief

LAW

Business Law Brief
East European Business Law

MEDIA

Media Monitor
New Media Markets
Screen Finance
Satellite TV Finance

NEW TECHNOLOGY

Electronic Office

PHARMACEUTICALS

Biotechnology Business News
Pharmaceutical Business News

TELECOMMUNICATIONS

Mobile Communications
Telecom Markets

For a FREE sample copy of up to FOUR of the above newsletters contact:

LONDON: MAX PERCY + 44-(0)71-240-9391 OR FAX + 44-(0)71-240-7946
NEW YORK: ANGELA ZIEJA + 1-212-888-3469 OR FAX + 1-201-729-9598
TOKYO: NAOTO YOSHIDA + 81-(03)-3295-3461 OR FAX + 81-(03)-3293-5963

FINANCIAL TIMES
LONDON PARIS FRANKFURT NEW YORK TOKYO
NEWSLETTERS

F.T. BUSINESS ENTERPRISES LTD
REGISTERED OFFICE: NUMBER ONE,
SOUTHWARK BRIDGE,
LONDON SE1 9HL, ENGLAND
REGISTERED IN ENGLAND No. 980896

Data Protection Act: The Information you provide will be held by us and may be used to keep you informed of FT products and used by other selected quality companies for mailing list purposes.

Or simply attach your business card, indicate those titles of interest and return to the address below.

Send me a sample copy of:

1 ______
2 ______
3 ______
4 ______

☐ Please send me a free 1992 Newsletter Catalogue (tick box)

COMPLETE IN BLOCK CAPITALS OR ATTACH YOUR BUSINESS CARD

Name ______
Job Title ______
Company ______
Address ______
______
Postcode ______ Country ______
Telephone ______ Fax ______

Return this form to: Max Percy, Financial Times Newsletters, Tower House, Southampton Street, London WC2E 7HA, England.
3/998

INTERNATIONAL CAPITAL MARKETS

German money supply figures bring unease

By Richard Waters in London and Patrick Haverson in New York

WORSE-than-expected figures on the German money supply further knocked confidence in European bond markets yesterday, though an easing of pressure in the German money markets allowed bunds to recover their poise by the end of the day.

GOVERNMENT BONDS

The keenly-awaited June growth rate for M3 came in at 8.7 per cent, down from a revised 8.8 per cent for May (previously also recorded at 8.7 per cent). The news undermined a rally in the bund market, which had been prompted by speculation early in the day that the M3 data would show a growth rate of 8.3 per cent.

The latest figure was largely disregarded as a guide to the future direction of German monetary policy. Last week's move by the Bundesbank to raise the discount rate while leaving the key Lombard rate untouched would have been taken with full knowledge of the latest money supply position, analysts said.

"The key number will be the July figure, which comes out in August," said one economist. "At the moment, it's too close to call."

In the meantime, the Bundesbank's actions at its weekly repurchase tender confirmed its apparent intention since last week's rate rise to alleviate tension in the money market. "They're giving the impression that the market has taken their move last week too seriously," said Mr Neville Quie, an analyst at Salomon Brothers in London.

The authorities injected a net DM7.7bn into the market, at a general rate of 9.7 per cent. That helped money market rates to fall to below 9.7 per cent, further below the 9.75 per cent Lombard rate.

The bund futures contract on Liffe traded in a range of 87.05-87.41, before coming to rest at 87.27, up on the day.

■ THE UK government bond market was shaken temporarily by the the German money supply figures, but it recovered later.

Fixated by events in Germany, the news that retail sales in June had fallen by 0.2 per cent had little effect on the market. "People are now waiting to see what comes out of the cabinet about public spending," said one observer.

Mr Norman Lamont, the chancellor of the exchequer, has given stern warnings that public spending will have to be contained to prevent the fiscal deficit rising, and the market is now waiting to see whether he can deliver.

Gilt futures, which had opened at 98.23, ended the day lower at 98.17, though up from the 89.09 they touched after the news from Germany.

■ ANOTHER decline in equity prices worldwide and speculation that the Federal Reserve was in the market buying bonds provided US Treasury securities with a boost.

In late trading the benchmark 30-year government bond was up ⅛ at 104¾, yielding 7.618 per cent. The two-year note was up $\frac{1}{16}$ at 101¾, to carry a yield of 4.235 per cent.

The main influence on early trading was the fall in Japanese, European and US stock markets. Hopes that lower equity prices would persuade investors to move out of stocks and into government securities gave a lift to the long end of the Treasury market.

The second day of congressional testimony by Mr Alan Greenspan, the chairman of the Fed, was mostly ignored.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.6647	+0.068	8.70	8.83	8.82
BELGIUM		9.000	08/01	100.2500	+0.200	8.95	8.85	8.82
CANADA *		8.500	04/02	105.53000	+0.400	7.69	7.68	8.17
DENMARK		9.000	11/00	98.3500	-0.100	9.27	9.11	9.16
FRANCE	BTAN	8.500	03/97	96.8062	-0.213	9.35	9.13	8.98
	OAT	8.500	11/02	96.5500	-0.130	9.01	8.81	8.79
GERMANY		8.000	01/02	99.2700	+0.100	8.10	8.03	7.98
ITALY		12.000	05/02	92.1800	+0.420	13.90†	13.47	13.15
JAPAN	No 119	4.800	06/99	98.1152	+0.301	5.17	5.37	5.59
	No 129	6.400	03/00	107.3105	+0.264	5.07	5.20	5.35
NETHERLANDS		8.250	02/02	99.0000	+0.070	8.39	8.32	8.30
SPAIN		11.300	01/02	93.3500	-0.800	12.50	11.79	11.47
UK GILTS		10.000	11/96	102-11	+1/32	9.31	9.26	9.17
		9.750	08/02	104-08	+1/32	9.09	9.06	9.17
		9.000	10/08	100-22	+0/32	8.92	8.85	9.06
US TREASURY *		7.500	05/02	104-20	+8/32	6.84	6.84	7.23
		8.000	11/21	104-14	+18/32	7.61	7.67	7.83
ECU (French Govt)		8.500	03/02	94.5100	-0.060	9.38	9.03	8.98

London closing *New York closing — Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal — Technical Data/ATLAS Price Sources

Nine UK housing associations raise £83m

By Simon London

NINE UK housing associations yesterday raised £83m ($158.53m) from institutional investors by making a bond issue through a joint venture company.

The deal, underwritten and arranged by Kleinwort Benson, marks a further step in the battle by housing associations to secure long-term private sector funding. The associations are non-profit-making organisations devoted to providing low-cost housing. The cash raised will be used for building homes and upgrading housing stock.

The government has pledged £1.7bn this year to back development but about £500m private sector finance is needed.

Most private sector funding comes from short-term banking facilities, but housing associations are keen to raise long-term institutional cash.

Yesterday's issue was made by Haco, a joint venture company set up by the nine housing associations. Similar vehicles have been used by smaller brewery companies and investment trusts to raise funds from the bond market.

The bonds pay a semi-annual coupon of 10⅝ per cent and were priced to yield 173 basis points more than long-dated UK government paper. Most of the paper was placed with UK institutional investors, although only a small number of institutions are active in the sector. Bankers estimated that yesterday's issue was bought by 25 to 30 life insurance companies and pension funds.

Previous bond issues have been made through The Housing Finance Corporation (THFC), which was set up with the backing of the sector regulator, the Housing Corporation, and the National Association of Housing Associations. THFC has raised £300m through fixed-rate and index-linked bond issues.

The bonds are secured on the assets of the nine associations, with interest payments covered by rental income. The nine must maintain interest cover of 125 per cent.

Mexico plans its first New York issue in 10 years

By Stephen Fidler, Latin America Editor, in Madrid

THE Mexican government is preparing to re-enter the New York bond market for the first time since it triggered the onset of the debt crisis 10 years ago with its announcement that it could not meet its foreign debt payments.

Mr Angel Gurria, undersecretary for international financial affairs in the Mexican Ministry of Finance, said an issue was being planned in the name of the United Mexican States for around $200m. It would be the first government issue of a so-called Yankee bond since 1980-81.

He said that, as the government was running a budget surplus, it had no urgent need for the money and so the issue would only go ahead if market conditions were right. The government was aiming to establish a benchmark from which other Mexican borrowers could price their bond issues. It also wanted to re-establish its name in the New York market, and hoped to use the issue to lengthen further the average maturity of Mexico's debt.

Mr Gurria, in an interview in Madrid, said Mexico was already tapping the commercial paper markets in the US and in Europe, where it was able to borrow at 150 basis points (1.5 percentage points) over US Treasury bill rates. It had also issued 10-year bonds in the Eurobond market at 195 basis points over US Treasuries.

Mexico does not at this time have an investment grade rating from the main US rating agencies, but Mr Gurria believes a rating might be possible within months.

Mexico's return to the New York market and its promotion as an investment grade credit would mark its final reacceptance in the international capital markets. Helped by a 1990 agreement to reduce its debt, the Mexican government now devotes 4.2 per cent of its gross domestic product and 16 per cent of its budget to interest payments, compared with 18 per cent and 42 per cent respectively as recently as 1986.

Argentina stays in spotlight with two more launches

By Simon London

TWO companies yesterday maintained the high profile of Argentina in the international bond market by launching Eurodollar transactions.

The issues, for Telefonica Argentina and Banco de Credito Argentina, follow hard on the heels of a $200m deal for Argentina Telecom launched last Friday. Acindar, a steel company, is expected to launch a $100m deal soon.

INTERNATIONAL BONDS

The spate of issues follows approval by the CNV, the Argentine regulator. Borrowers are also keen to launch issues before the end of July and the start of the holiday season in the US and European markets.

Telefonica Argentina yesterday raised $100m over three years through a deal lead-managed by Lehman Brothers International. The bonds pay an 8 per cent semi-annual coupon and were re-offered to investors at par. At this level the yield is 328 basis points more than US Treasury bonds.

The borrower is a monopoly provider of telecommunications in southern Argentina and the business areas of Buenos Aires. On Friday, Argentina Telecom, which supplies the north of the country, raised $200m five-year funding at a yield spread of 345 basis points.

Banco de Credito launched a $75m two-year issue, with a put option after one year, via Citicorp Investment Bank. The yield spread was far wider at 545 basis points, reflecting the weaker credit quality of the issuer. From an issue price of 96.666, the bonds were quoted at 98.875 bid by late afternoon.

Participants in both issues reported smooth placement underpinned by demand from retail investors.

Earlier this month, accusations of corruption against Mr Collor de Mello, Brazil's president, and weak stock markets in the region caused most new issue plans to be shelved.

While the Collor scandal remains unsolved, Brazil has since agreed a debt restructuring package with its commercial bank creditors. Last week, Argentina's credit rating was raised by two notches to B1 by Moody's Investors Service.

While the mood among investors is now more positive, bringing issues for Latin American borrowers can still be difficult. Banco de Chile's planned $75m issue via Bankers Trust, the first by a Chilean borrower, has been postponed beyond this week. Sources said negotiations between the issuer and the Chilean authorities were slowing the progress of the deal.

In the mainstream of the international bond market, potential issuers were detered by the uncertain tone of European bond markets. General Electric Capital launched a $150m four-year deal, lead-managed by ScotiaMcLeod.

The 6½ per cent bonds were re-offered to investors at a fixed price of 99.55, for a yield of 6.63 per cent. The lead manager said the deal was priced to yield 43 basis points more than a new Canadian government bond which also carries a 1996 maturity date. However, other participants in the deal claimed the spread was as low as 15 basis points over the government bond yield curve.

Following a sharp rally in the Canadian market in recent weeks there are few outstanding issues trading below par. For example, an outstanding GECC issue maturing 1996 was trading at 110 per cent of face value.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Telefonica Argentina(c)†	100	8	100	1995	1/0.625	Lehman Bros.Intl.
Bco de Cred.Argentino(d)	75	9	98.666	1994	1.375/0.75	Citicorp Inv. Bk
STERLING						
Haco Ltd(e)†	83	10.625	99.857	2017	0.75	Kleinwort Benson
CANADIAN DOLLARS						
GECC(a)†	150	6.5	100.95	1996	1.625/1.4	ScotiaMcleod
D-MARKS						
ECSC(b)‡†	372	(b)	100.23	1997	20/10bp	Deutsche Bk.
SWISS FRANCS						
IBM Intl. Finance(a)†	50	9.25	101.30	1993	-	Swiss Volksbank

**Private placement. §Convertible. ¶With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon pays 65bp below 6-month Libor. Non-callable. c) Coupon payable semi-annually. Non-callable. d) Coupon payable semi-annually. Put option 5.8.93 at 98.543. e) Borrower is a special purpose vehicle for nine UK Housing Associations. Debenture issue.

Mexican exchange to offer warrant trading

By Damian Fraser in Mexico City

MEXICO is to introduce a market of listed warrants in the second half of August, according to the Comision Nacional de Valores (CNV).

The warrants will be listed and traded on the Mexican stock exchange, and issued by brokers, banks and companies on which the warrants are traded. Warrants will be based on either individual stocks or baskets of stocks.

The authorities hope the warrants will boost the underlying stock market's liquidity, and stem the growing tide of warrants business being conducted offshore. Merrill Lynch, Nomura and Banamex all offer warrants listed in Luxembourg on baskets of Mexican stocks, while the listed options on Telmex, the telephone monopoly, are traded in New York.

CNV plans to offer a listed options market in the near future and a financial futures market later. The warrants and options market will let investors protect themselves from price changes, and better control the risk of buying into the volatile Mexican market.

The options and warrants market in Mexico is unlikely to take off while restrictions remain on margin trading and short selling in the underlying market, and while brokerage fees stay higher than in the US. Such obstacles inhibit the arbitrage between the underlying and derivative market, thus making it difficult to use options and warrants as efficient hedges.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market — Closing prices on July 22

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price, the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

* No information available - previous day's price
† Only one market maker supplied a price

© The Financial Times Ltd, 1992. Reproduction in whole or in part in any form not permitted without written consent. Data supplied by International Securities Market Association

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	31	15	36
Other Fixed Interest	6	0	9
Commercial, Industrial	75	513	850
Financial & Property	33	339	422
Oil & Gas	10	19	57
Plantations	0	0	9
Mines	4	48	97
Others	20	36	81
Totals	179	970	1,561

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

TRADITIONAL OPTIONS

- First Dealings July 20
- Last Dealings August 1
- Last Declarations October 15
- For settlement October 26

3-month call rate indications are also shown on this page.

Calls in: Costain, Cowie (T.), Evered, Fisons, Gestetner, MGN, Pilkington, Tarmac, and Trafalgar House. Put in: Hammerson A. Put & Call: General Accident.

LIFFE EQUITY OPTIONS

July 22 Total Contracts 36,381
Calls 19,394 Puts 16,987
FT-SE Index Calls 4,604 Puts 5,754
Euro FT-SE Calls 377 Puts 1,939
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p
Allied-Lyons	48
Amstrad	6
Astec (BSR)	3
BAT Inds	58
BOC	53
BTR	35
Barclays	29
Blue Circle	24
Boots	34
Bowater	60
Brit Aerospace	26
British Steel	7
BT	25
Cadburys	38
Charter Cons.	37
Comm Union	34
Courtaulds	43
Eurotunnel	32
FKI	6
FNFC	7
Forte	19
GKN	33
Gen Accident	38
GEC	17
Glaxo	52
Grand Met	39
GRE	13
Hanson	18
ICI	95
Ladbroke	18
Legal & Gen	29
Lex Service	22
Lloyds Bank	32
Lonhro	12
Lucas Inds	12½
Marks Spencer	27
Midland Bank	30
NatWest Bank	28
P & O Dfd	37
Racal Elect	5½
RHM	18
Rank Org	55
Ratners	3
Reed Intl	44
Sears	8½
SmKl Bchm A	60
TI	55
TSB	11½
Tesco	22
Thorn EMI	63
T & N	11½
Unilever	70
Vickers	16
Wellcome	75
■ PROPERTY	
Brit Land	18
Land Sec.	30
MEPC	28
Mountleigh	1½
■ OILS	
Aviva Pet	25
BP	18
Burmah Castrol	48
Conroy Pet	6½
Gaelic Res	½
Premier Cons	2¾
Shell	35
Tuskar Res	½
■ MINES	
RTZ	47

COMPANY NEWS: UK

Border shows 40% advance to £1.22m

By Jean Marshall

A 40 per cent advance in pre-tax profits, from £866,000 to £1.22m, was announced by Border Television, the USM-quoted regional operator based in Cumbria, for the year to April 30.

The result was achieved on turnover down from £12.2m to £11.8m – principally due to reduced programme sales of £732,000(£1.55m) following ITV network changes. Advertising sales, however, improved by 1.5 per cent, a "creditable performance in depressed conditions," the company said.

The outcome reflected cost controls and an emphasis on conserving cash resources. The cost reduction programme would continue, the company said.

Earnings per share improved to 7.6p (6p) and the proposed final dividend of 1.6p lifts the total to 2.7p (2.1p).

For the remainder of 1992 advertising revenues were expected to achieve at best marginal growth, directors said. They were confident, however, that their arrangement in the north for Granada to market and sell its airtime would be beneficial.

Border has holdings in Radio Borders and South-West Sound in Scotland and has recently acquired a 30 per cent holding in Morecambe Bay Radio. It is also part of a consortium bidding for the Carlisle radio franchise.

Rubicon moves into black with £822,000

THE NEW management of Rubicon Group, the shopfitter formerly known as Courtney Pope, yesterday reported an £822,000 move back into the black at the pre-tax level for the year to May 31.

The shares responded with a 28p rise to 131p before settling at 125p.

The 1990-91 deficit amounted to £8.9m and included an exceptional provision of £6.87m for losses and closure costs of discontinued activities.

Turnover totalled £15m (£47m) and earnings per share of 30.4p compared with previous losses of 568.2p.

The company underwent a capital restructure in April and ended 1991-92 with a "strong balance sheet and a positive cash position."

Shareholders' funds of £2.4m compared with a previous deficit of £4.2m and net current assets of £1.3m compared with liabilities of £6.5m.

Future prospects were described as "encouraging". The company's strong capital base had put it "in a position to benefit from growth opportunities".

The directors have approved payment of the preference dividend, together with arrears.

Subject to "satisfactory trading results in the forthcoming year" they expected to resume ordinary dividend payments at the interim stage.

Doeflex rises 51% and seeks £1.3m for expansion

DOEFLEX, a supplier of thermoplastic materials, yesterday unveiled a 51 per cent rise in interim profits, a £1.6m cash acquisition and a share placing and open offer to fund the purchase.

For the six months to June 30 profits rose from £580,000 to £876,000 pre-tax from turnover 39 per cent higher at £12.9m.

The directors said the growth in sales reflected in part the inclusion of Horizon Industries for the first time. Organic growth was about 11 per cent. They added that profits have yet to benefit from the inclusion of Horizon – Doeflex took a 60 per cent stake in the Belgian-based group towards the end of 1991.

Earnings worked through 53 per cent ahead at 7p (4.57p) and the interim dividend is lifted from 1.32p to 1.6p.

The acquisition is that of the Iridon technical sheet division of Lawson Mardon Group UK, primarily funded via a placing of 1.5m ordinary shares with institutions at 98p apiece to raise £1.33m net. The balance will be financed from existing banking facilities.

Ordinary shareholders can apply for the new shares on the basis of one new share at 98p for every 5.67358 shares held.

Doeflex shares closed 5p higher at 112p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends.

TODAY

Interims- Darby Trust, Drayton Far Eastern, Green Property, Hill & Smith, Thornton Pan-European Inv Trust.

Finals- Abtrust Preferred Inc Trust, Bexbuild Developments, Elbief, Ewart, Filofax, First Technology, Greycoat, Independent Inv, Kewill Systems, London Merchant Securities, Savills

FUTURE DATES

Interims-	
Brown & Jackson	July 28
Clarke (T)	Aug. 20
Cowie (T)	July 30
Forte	Oct. 1
Hepworth	July 30
Life Sciences	July 30
Medeva	Sep. 8
RPS	July 27
Saatchi & Saatchi	Aug. 11
Wickes	Aug. 5
Final-	
Resort Hotels	Aug. 5

Balancing the steps taken to restore profits

Paul Cheeseright on the recent gloomy results of West Midlands industrial groups

VERSON International will this week write its own epitaph on a gloomy reporting season for industrial groups based in the West Midlands – traditionally the geographical heart of British manufacturing.

Doubtless there will be promises of future profitability after reorganisation and report of a first half-loss. To some extent, therefore, Verson will be typical.

This month, nine other small and medium-sized quoted industrial groups – Brasway, Bromsgrove Industries, Hampson Industries, Newman Tonks, Transfer Technology, Triplex Lloyd, Victoria Carpet, Wheway and Wyko – have published figures.

They represent a cross-section of industry with activities running from carpets and architectural hardware to environmental engineering and foundry products.

However, all except Brasway and Transfer Technology reported falls in their pre-tax profits and Wheway sank into losses.

In different and limited ways Brasway and Transfer Technology offer a guide to the future.

Brasway came, as Mr Mark Swaby, chairman, noted, from a very low base point: its tube operations saw the downward spiral earlier than most industrial groups.

"We had the pain earlier, we took earlier action," he said.

For its part, Transfer Technology is dependent on export markets and thus shielded to a degree from the UK recession.

But while this former Maxwell company may gather strength from its diversity of markets, its 1992 shape is different from its first half 1991 structure, making growth comparisons difficult.

Against the background of receding profits, it is not surprising that the market has turned a jaundiced eye on engineering companies.

All of the recently reporting companies, except Transfer Technology, had been trading at or near to the bottom of their 1992 range even before more general uncertainty swept the Stock Exchange at the end of last week.

Albert E Sharp, the Birmingham-based broker, says p/e ratios of engineering companies are high "because of low profitability. But relative dividend yields are, by historic standards, low. This coupled with the failure of the UK economy to 'follow through' after the general election, has caused the sector to have something of a relapse over the last two months".

Sensitive to the market, however, all the recently reporting companies – despite their cost and trading problems – have maintained or increased their dividends, sometimes dipping into reserves to do so.

Yet the market is now forced to make a fine calculation. It has to balance the steps which the companies have been taking to restore profitability against an estimate of how far, if at all, trading conditions are likely to improve.

Although Mr John Bettinson, chairman of Victoria Carpet, could claim this week that "to a large extent we have avoided redundancies," this is not the case with other recently reporting West Midlands-based groups.

Seven of the nine have disposed of businesses or closed capacity or taken job losses, or, indeed, done all three.

Cost-cutting in an effort to raise productivity and ward off margin pressure has been endemic. At the same time, all the companies with the exception of Triplex Lloyd have either kept gearing static or reduced it.

"Although interest rates have fallen, there is little sign of them coming down further, and, with the widening of the margins of the banks, nobody wants to be extended on borrowing," observed Mr Chris Clayton, finance director of Hampson Industries.

Triplex Lloyd, however, where borrowing is linked to expansion, feels comfortable with gearing raised over its last financial year from 38 per cent to 45 per cent.

There is some evidence that the cost-cutting, where it has been allied to investment, has put companies in the position where they can increase profitability even if trading conditions do not improve. It has already been the case at Brasway. It is likely to be the case at Wyko, for example, which has rationalised its components distribution branch network. Triplex Lloyd reported significant margin improvement in both its automotive and power divisions.

In stock market terms this phenomenon is more encouraging than the trading prospects. It is now clear that, across the board, the rise in UK demand during the second quarter and particularly in April simply faded away.

"There is noticeably less optimism generally than was the case during the late spring," Mr David Botterill, chief executive of the Engineering Employers Federation West Midlands, said yesterday.

Although, last week, the West Midlands regional council of the Confederation of British Industry reported that export demand was holding up, the international scene remains problematic.

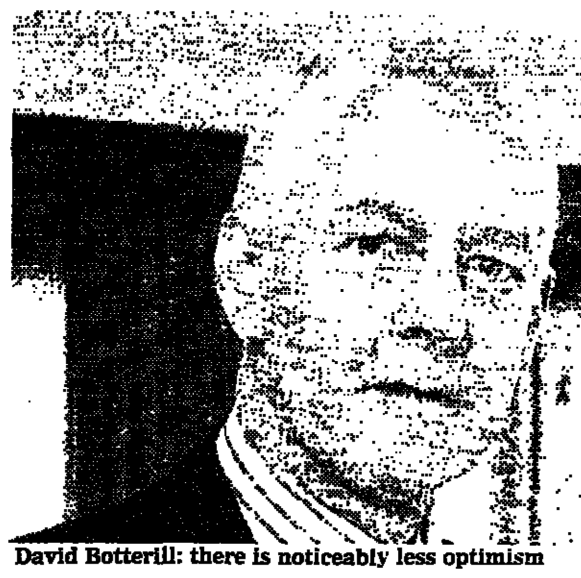
All of the nine have international interests, reflecting the now accepted nostrum that, to survive, Midlands industrial groups cannot depend on the UK market.

But Wheway, the environmental engineer, reported that although demand had been good in the US and Scandinavia it had been poor in Australia. Newman Tonks, the architectural hardware group, found its European sales profits had been dropping. Bromsgrove Industries has found lower European demand. On the other hand Transfer Technology found that sales were holding up well in south-east Asia.

Given the trading uncertainties, industrial activity will probably remain at a low level.

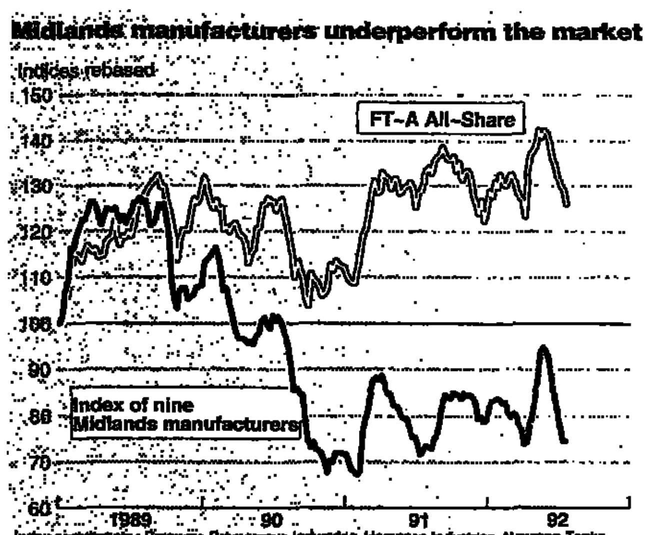
Midlands Electricity, as good an indicator as most, is predicting a 0.5 per cent rise in industrial sales of electricity this year. This points also to further cost-cutting and the reduction of capacity for large and smaller groups alike.

Indeed, in recent weeks British Steel, Chubb, the Racal locks subsidiary, Glynwed, the engineering group, Grasshopper, the privately-owned babywear group, and United Engineering Steels have all announced further job losses in their West Midlands operations.



David Botterill: there is noticeably less optimism

Midlands manufacturers underperform the market



Index constituents: Brasway, Bromsgrove Industries, Hampson Industries, Newman Tonks, Transfer Technology, Triplex Lloyd, Victoria Carpets, Wheway and Wyko
Source: Datastream

RESERVE BANK OF INDIA
NEW NOTE PRESS PROJECT

NOTICE INVITING APPLICATIONS FOR PRE-QUALIFICATION FOR SUPPLY, ERECTION AND COMMISSIONING OF SECURITY AND SURVEILLANCE SYSTEMS FOR THE NEW NOTE PRESS PROJECT

Ref.No.BNM 10/1992

Applications are invited from experienced and reputed parties for pre-qualification bids for design, manufacture, supply, erection and commissioning of Security & Surveillance Systems for the New Note Press Project at its two locations at Salboni, West Bengal and Mysore, Karnataka. Those who have responded to our earlier advertisement Ref. BNM 7/1991 may apply afresh stating the technological advancements in the intervening period and also evidence of any collaboration arrangement.

Scope of Work includes design, manufacture, supply, erection & commissioning of electronic security and surveillance systems consisting of:
- passive infra-red/microwave intruder detection system outside the perimeter
- computerised access control system at the entrance
- burglar alarm system for the vault doors
- infra-red/microwave detection system in security areas
- CCTV surveillance system of latest design with multiview monitors, picture freeze and recording facilities
- integrated alarm system with CCTV cameras and VCR
- RF zone sensors for high security zone and vehicle control at gates

The estimated cost for each site is approximately Rupees 15 million and the time schedule for phase I is 12 months.

The intending applicants must have executed large orders of similar nature in the past and should have supplied and installed a major part of the above equipment and systems for integrated operations and should be in a position to do so within the indicated time schedule.

The pre-qualification bids shall contain the following information about the applicant parties:

(a) Registered name and address, Telephone, Telex and Fax numbers.
(b) Annual Accounts for the last three years, Income-tax clearance certificates and solvency certificate (for Indian parties only).
(c) Bankers' references and their willingness to provide credit.
(d) Details of design and manufacturing facilities and skilled personnel in employment.
(e) Details of similar equipment and systems supplied & services rendered during the last 5 years by them or their collaborators as well as current orders under execution with description of customers/firms/organisations, value and date of contract, scheduled time for completion and actual time of completion, performance certificates from clients, etc. duly supported by documents. Large works executed for Government / major private sector organisations may be highlighted.

Sealed applications in four copies alongwith enclosures must reach **The Managing Director (Designate), New Note Press Project, Reserve Bank of India,** Garment House, Gr.floor, Dr. Annie Besant Road, Bombay 400 018, INDIA, latest by 1300 hrs IST on **5th September, 1992.**

The sealed envelopes shall be superscribed as follows: "APPLICATION FOR PRE-QUALIFICATION -- REFERENCE NO. BNM 10/1992".

New Note Press Project, Reserve Bank of India reserves the right to reject any or all application(s) for pre-qualification without assigning any reason whatsoever.

The applicants who are pre-qualified will be advised to purchase tender documents by paying the prescribed fee and no general notice inviting tenders for the above will be issued. The Bank may, however, issue such notice for phase II work.

PSIT Property Security Investment Trust plc

PROFIT UP INCREASED DIVIDEND

Extracts from the statement by the Chairman, Mr. A. R. Perry.

- Group profit before tax rose from £3.1 million to £6.7 million.
- Rents up from £15.3 million to £17.7 million.
- Extraordinary profits of £1.9 million.
- Australian district shopping centre being extended.
- All interest and finance costs charged to revenue.
- No off balance sheet accounting.
- Net asset value per share £1.40.
- Total dividend for year 3.75p against 3.125p last year.

Results for the year ended 31st March 1992

£000's	1992	1991
Total rents receivable	**17,953**	15,492
Net property income	**16,613**	14,780
Profit before tax	**6,720**	3,082
Ordinary dividend per share	**3.75p**	3.125p
Share capital and reserves	**161,081**	175,916

Copies of the complete report and accounts will be posted to shareholders on 18th August 1992 and copies may be obtained from G. H. Caines, Managing Director, Fetcham Park House, Lower Road, Fetcham, Surrey, KT22 9HD.

WOOLWICH BUILDING SOCIETY
£275,000,000
Floating Rate Notes
Due 1993

(comprising £200,000,000 Floating Rate Notes due 1993 issued on 13th July 1988 (the 'Original Notes') and a further £75,000,000 Floating Rate Notes due 1993 issued on 20th August 1991, and, with effect from 17th October 1991 consolidated and forming a single series therewith).

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 21st July 1992 to (but excluding) 21st October 1992, the Notes will carry a rate of interest of 10⅛ per cent. per annum. The relevant interest payment date will be 21st October 1992. The coupon amount per £10,000 will be £263.93 and per £100,000 principal amount of the Note will be £2,639.34 payable against surrender of Coupon No: 17.

Hambros Bank Limited
Agent Bank

BRITANNIA BUILDING SOCIETY

Issue of up to £50,000,000
Floating Rate Notes
Due 2005

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 22nd July 1992 to (but excluding) 22nd October 1992, the Notes will carry a rate of interest of 10.96875 per cent. per annum. The relevant interest payment date will be 22nd October 1992. The coupon amount per £1,000,000.00 Note will be £27,571.72 payable against surrender of Coupon No: 11.

Hambros Bank Limited
Agent Bank

Currency Fax - FREE 2 week trial
from Chart Analysis Ltd
7 Swallow Street, London W1R 7HD, UK -
exchange rate specialists for over 18 years
ask Anne Whitby
Tel: 071-734 7174
Fax: 071-439 4966
a FIMBRA Member

YPF
Sociedad Anônima

Ministry of Economy and Public Works and Services Republic of Argentina

Calls for the qualification and selection of national and international companies to enter into an association with YPF Sociedad Anónima for the exploration, development, exploitation and refining of hydrocarbons in The Northwest Basin of the Republic of Argentina, pursuant to the Terms and Conditions established by International Public Tender Nº 14-280/92.

Area	Approximate Surface Area (in square miles)	Refining capacity bbl/d
Aguaragüe (Province of Salta)	6,150	—
Palmar Largo (Provinces of Salta and Formosa)	6,700	—
Campo Durán (*)	—	30,000

(*) subject to approval by Argentine Congress.

Terms and Conditions

The Terms and Conditions may be purchased at a price of US$200. Checks should be made payable to YPF Sociedad Anónima. Only companies or consortia which meet certain qualification criteria will be permitted to bid for the right to enter into an association with YPF Sociedad Anónima.

Interested parties may acquire the Terms and Conditions starting July 20th, 1992, in YPF Sociedad Anónima's headquarters, located at Avenida Roque Sáenz Peña 777, 7th floor, office number 702/6, Buenos Aires, Argentina, at any time between 9:00 am and 12:30 pm; or in YPF Sociedad Anónima's Technical and Commercial Office, at 5 Greenway Plaza, Suite 250, Houston, Texas 77046, Tel: (713) 621-4850 or Fax: (713) 621-4803 at any time between 10:00 am and 12:00 pm; or they may request further information from YPF Sociedad Anónima's Financial Advisers, namely MORGAN STANLEY & CO. INCORPORATED, at 1251 Avenue of the Americas, New York, NY 10020, Tel: (212) 703-7473 or Fax: (212) 703-7888, and ROBERTS CAPITAL MARKETS S.A. at 25 de Mayo 258, 7° Piso 1002, Buenos Aires, Argentina, Tel: 343-4452 or Fax: 331-5826.

Qualification Period

Interested companies or consortia are required to deliver a Qualification Form and related documents to YPF Sociedad Anónima, Avenida Roque Sáenz Peña 777, 7th floor, office number 702/6, Buenos Aires, Argentina, on Mondays through Fridays 10:00 am through 12:00 pm, starting July 20th, 1992. Companies or consortia that meet the qualification standards will be notified in writing.

Bid Date

Bids for the Areas will be opened on October 15, 1992 at 11:00 am, in YPF Sociedad Anónima's headquarters at Avenida Roque Sáenz Peña 777, 13th Floor, Buenos Aires, Argentina.

NOTE: Those companies who accessed the Data Room during the information stage of this Public Tender are not required to purchase the Terms and Conditions.

MORGAN STANLEY & CO.
Incorporated

ROBERTS CAPITAL MARKETS S.A.

Expamet shares fall on pay-out cut

By Richard Gourlay

EXPAMET International, the building products and security group, yesterday announced that it will halve its interim 1992 dividend and will probably "substantially" cut the final distribution.

Mr Jeremy Beasley, chairman, has also brought forward his retirement from December and is replaced with immediate effect by Mr John Roberts, a non-executive director.

The announcement was greeted by a 14p fall in the share price to 71p, some 83p below the level prior to the profits warning in June after the discovery that managers of Brema-Air, the Dutch subsidiary, had inflated profit figures.

Mr Alex Orr, managing director, said gearing had leapt from 45 per cent to 140 per cent due to a £4m cash loss and similar reduction in shareholders' funds resulting from the recent sale of Brema-Air.

The group's bankers have confirmed their support, but have extracted a commitment that debt will be reduced below £12m. The banks have secured their overdraft facilities with charges over Expamet's UK assets.

Expamet said that, the ducting business apart, trading in the rest of the group remained "reasonable." The interim results are due in August and the board expects pre-tax profits – before the extraordinary loss relating to Brema-Air – to beat last year's figure.

In addition to the £4m cash loss, Expamet will also have to show a £3.8m write back of goodwill written off the balance sheet when Brema-Air was acquired in 1988.

Expamet's debt now stands at £23m, on shareholders' funds of £16m. Before the Dutch problem, debt was budgeted to rise to £19m in June, before declining to £12m by the year-end.

At the last full-year period, Expamet reported a 43 per cent fall in profits to £7.3m on sales of £141m.

Nevertheless, it maintained its dividend by digging into reserves, justifying the payment on the grounds that the board believed that the recession would soon end.

"The extent and the depth of the recession continues to surprise," Mr Orr said yesterday. "We all know we must not go into recession with heavy debt."

Warrants offered in Wellcome sale

By Maggie Urry

SMITH NEW Court, the securities house, yesterday launched an issue of up to 10m warrants intended for investors buying shares in the Wellcome sale.

The tender offer of shares in the drugs group, which closes tomorrow, is expected to raise about £2.6bn for Wellcome Trust, the medical charity which is reducing its stake in the company from 73.5 per cent to about 35 per cent.

The warrants are designed to protect holders from a sharp underperformance in Wellcome's shares compared to the FT-SE 100 index in the three months following the sale.

Last week, in another move to help demand for the Wellcome tender, Barclays de Zoete Wedd Securites' offered to buy shares in companies to provide liquidity for potential investors.

Yesterday the book building exercise was thought to be going well, in spite of the fall in the UK stock market. Wellcome's share price declined by 5p to 829p.

The Smith New Court warrants are priced at 33.6p – roughly 4 per cent of the Wellcome share price.

They give holders the right to sell Wellcome shares at a 5 per cent discount to the price Wellcome shares would be if they had moved in line with the index.

The base price for the Wellcome performance is the issue price, which is expected to be a few percentage points below the market price.

Thus, if the shares underperform the index by more than 9 per cent from the issue price, the warrants will have value. Holders can exercise the warrants at any time during the three-month period up to October 27.

They can either use the warrants to sell the shares, in which case there will also be a 0.5 per cent charge to cover stamp duty, or take a cash settlement.

Mr Lenny Barshack, director of derivatives at Smith New Court, said the warrants would appeal to investors who believed that Wellcome's shares provided good value but wanted protection against further underperformance. They could buy Wellcome shares and match them with warrants to minimise the downside risk.

Wellcome shares have underperformed the FT-SE 100 index by more than 20 per cent since the sale was announced in early March, partly pushed down by short sellers. Had the warrants been in issue since June 1989, buyers would have made money in 8 of the following 35 rolling three-month periods.

The warrants will be listed on the Luxembourg stock exchange and Smith New Court will make a market in them.

Menvier-Swain rises to £6m and cuts debt

By Richard Gourlay

Menvier-Swain Group, the emergency lighting and fire alarms company, yesterday reported a 20 per cent profit rise despite continuing recession in its markets.

Pre-tax profits in the year to end-April rose from £5.02m to £6.02m on sales down 11 per cent to £42.3m. The previous year's figures included businesses now discontinued.

Earnings per share increased by 24 per cent to 29.2p and a recommended final dividend of 6.3p gives a total of 9p, up 23 per cent.

The group said it had successfully continued its policy of expanding in Europe with the most recent acquisition in Greece.

Despite the recession in the UK construction industry the manufacturing companies had nevertheless managed to maintain profit margins and cut costs so that pre-tax profits were close to the previous year's levels.

Net debt was reduced from £5.1m to £2.5m, leading to a 28 per cent fall in the financing charge to £660,000.

Eve pays more despite profits fall

By Andrew Taylor, Construction Correspondent

EVE GROUP yesterday became one of the few contractors and property developers to announce a dividend increase during one of the worst results seasons the industry has experienced.

The final dividend goes up from 6.5p to 7p, despite a fall in pre-tax profits from £4.11m to £3.26m for the 12 months to end-March, a decline which reflected lower interest received of £375,000 (£1.05m).

Turnover dropped from £46.6m to £39.1m.

The total distribution, covered 2.3 times by earnings per share of 22.5p (29p), increased from 9.2p to 9.7p.

The USM-quoted group's cash position, however, improved by the end of the year to stand at £5.6m (£3.91m).

Mr Gerald Hough, managing director, described the results as a considerable achievement in such a difficult market. He expected dividends to continue to rise provided profits increased in line with general inflation.

The group's strength is its specialist contracting division which is one of only three companies carrying out work for the National Grid Company, erecting transmission lines and pylons. The division also erects transmission towers for radio and telecommunications and television companies.

This field of work has held up much better and commands much higher margins than general contracting which only broke even last year.

Construction profits fell by only £51,000 to £3.15m, helped by a strong performance from the specialist engineering division. This was despite a 16 per cent fall in the division's turnover, from £43.3m to £36.2m.

Property development incurred a loss of £104,000 following an £87,000 deficit the previous year. Profits from Trakway, which provides portable aluminium roadways for construction sites, exhibitions and pop concerts, dipped from £786,000 to £656,000.

M and S takes toehold in east Europe store venture

By John Thornhill

Marks and Spencer, the international clothing and food group, is moving into eastern Europe with the opening of a pilot store in a prominent part of Budapest, Hungary.

M and S will run the store with Demexco Handelsgesellschaft, a Vienna-based trading company, and S Modell, an established Hungarian retailer.

It will supply a range of men's and women's wear and support and train the staff, although the venture will be managed by Modell.

M and S said: "This is a tentative toe in the water.

Quadrant chief quits over vessel payments

Mr Robert Brothers yesterday resigned as chairman of Quadrant Group, which said that Beckworth Enterprises, owned by a trust of which Mr Brothers was a beneficiary, had defaulted on an agreement to underwrite earnings from two vessels Quadrant bought from Beckworth in 1991.

Lord Rees, an existing director, has become chairman.

GARDNER MERCHANT.

BUILDING ON SUCCESS

Gardner Merchant serves over a million meals every day with over 6,500 contracts in 16 countries around the world.

Last year, our turnover exceeded £850 million.

We have by far the largest investment in training of any contract catering organisation.

In the UK, we also have the largest network of regional and local offices backed up by the most extensive national resources.

And our purchasing power means we are able to supply food at a much lower cost than our rivals.

When you look at facts like these, it's not surprising that last year was Gardner Merchant's most successful ever. Or that more companies choose Gardner Merchant's catering than any other.

For more reasons why and a copy of our 1991/92 Business Report, write to Gardner Merchant, FREEPOST, Kenley, Surrey CR2 9PU.

For successful catering, Gardner Merchant is your best choice

NOW AND IN THE FUTURE.

GARDNER MERCHANT

The world's leading contract caterer

FORTE

Restructured AIM shows 36% rise to £3.11m

By Richard Gourlay

AIM Group, the maker of aircraft interiors, yesterday reported a 36 per cent increase in profits as the benefit of orders placed some years ago showed through.

Pre-tax profits in the year to April 30 rose from £2.29m to £3.11m on sales up 9.6 per cent to £58m. Earnings per share rose 25 per cent to 13.7p and a recommended final dividend of 5p brings the total to 6.5p, a rise of 18 per cent.

With the sale of its air conditioning contracting division in May, the group has now returned to its core business of design and manufacture of aircraft interiors.

The restored fortunes of the group follow last year's debt rescheduling relating to property loans. Some £6m now bears no interest charge and must be repaid only in 1994.

The aviation division increased operating profits by 33 per cent to £4.43m on sales up 17 per cent at £43.7m. Mr Jeff Smith, chairman and chief executive, said the recent high investment in the Derby and Wallisdown sites had been completed.

Mr Smith said that in spite of the strengths of the group and the results which were "bang on target", AIM was dogged by the poor state of aircraft sales and the mood in the industry. "Every time they talk of the European Fighter Aircraft, where we have absolutely no involvement, our share price goes down 5p," he said.

Results from contracting were "disappointing". Sales fell from £15.6m to £15m but erosion of margins led to a fall from profits of £383,000 to break even at the operating level. Eastern Electricity bought the contracting division for £1.5m more than net book value after the balance sheet date.

Trevor Humphries

Steady growth seen at BAA airports

By Daniel Green

PASSENGER traffic at airports run by BAA is showing a steady recovery from the depressed levels of 1991, said Mr Brian Smith, chairman, seen above left talking to Sir John Egan, chief executive, at yesterday's annual meeting.

BAA's passenger traffic should grow between 5 and 8 per cent in the year to March 1993, representing a 2 per cent improvement on 1990, he said. Over the longer term, the growth rate should settle down at 4 per cent.

BAA shares rose after the annual meeting, but closed 7p lower at 644p in a falling stock market.

These figures concealed a "very depressed" market for UK domestic traffic, dominated by business travellers, said Mr Smith.

The brightest spot was in long haul travel, where passenger numbers were 8 to 10 per cent higher than two years ago.

Recent deregulation at Heathrow had led to a growing number of airlines that wanted to use the airport, said Mr Smith. "Passenger numbers [at Heathrow] actually grew by 2 per cent in the year ending March 1992."

On future projects, Mr Smith said that consultations with contractors had begun on the £800m fifth terminal at Heathrow, while the preliminary work had started on the Paddington Station to Heathrow rail link. The rail service should open in 1997, he said.

Pacific Horizon puts new proposals

By David Barchard

THE TWO month-old battle for control of Pacific Horizon Investment Trust yesterday took a new turn when its directors despatched a circular to shareholders offering new proposals for its future and notifying them of two rival extraordinary meetings next month.

The circular calls on them to vote against proposals from Jupiter Tyndall Merlin, the fund management group which manages Pacific Horizon, to restructure the trust. Instead, the board recommends the appointment of Baillie Gifford, the Scottish fund management group, as investment manager.

It also wants to widen the trust's investment policy to include Hong Kong, Singapore, and Malaysia, and to bring its final year forward by 12 months to 1996.

The move comes less than a week after Jupiter Tyndall said it was in discussions with another investment trust for a possible offer for Pacific.

In June, Jupiter Tyndall blocked an agreed bid for Pacific Horizon by Martin Currie Pacific and requisitioned an EGM to appoint new directors and restructure the trust.

Jupiter Tyndall later turned down a request from the board to withdraw its requisition until after it had published details of a new offer.

The two EGMs, one convened by the board and the other requisitioned by Jupiter Tyndall are both scheduled for August 18.

NEWS DIGEST

Property Security doubles

IN SPITE OF the depressed condition of its markets, Property Security Investment Trust lifted pre-tax profits from a restated £3.08m to £6.72m over the 12 months to March 31.

The period marked the first that the company charged interest in respect of both investment properties and dealing activities to revenue. The latter was previously capitalised.

Net rental income amounted to £16.6m (£14.8m), but investment income dipped to £2.88m (£3.41m). Interest payable fell from £13.8m to £11.4m.

Asset disposals amounting to £1.95m (£1.46m) were taken below the line.

Earnings per share improved to 4.04p (1.26p) and a proposed final dividend of 2.25p brings the total to 3.75p (3.125p).

Southend Property shows 56% advance

Southend Property Holdings yesterday announced profits before tax ahead by 56 per cent, from £2.38m to £3.71m, in the year to end-March.

The result was struck on turnover down from £82.8m to £81.1m, although rental income grew from £16.6m to £19.1m.

Comparative figures have been restated to reflect a provision of £743,000 against the amount due from the employee share ownership plan trust, which directors believe should have been made in 1991.

Substantial cash resources had been accumulated over the year, the company said: Some £14.2m was raised from the share issue in connection with the failed offer for Frogmore Estates – the Frogmore shares acquired were subsequently sold at an overall profit.

In addition property sales raised £12.7m and the sale of Hamlet International raised £10.3m.

A recommended final of 2.73p makes an improved total of 4.18p (3.8p). Earnings declined from 5.42p to 2.6p.

Hemingway Props losses fall sharply

Hemingway Properties reported a sharp reduction in losses in the six months to June 30. Turnover rose from £1.79m to £3.04m.

The pre-tax deficit was cut from £2.15m to £332,000 and per share the outcome was reduced to a 0.61p loss, against 4.33p previously.

Last August new management was installed at the company, formerly Marylebone Estates, under a reverse takeover.

BWD Securities falls to £1.22m

BWD Securities, the USM-quoted financial services group, reported a 10 per cent fall in pre-tax profits, from £1.36m to £1.22m, in the six months to May 31.

Turnover rose to £5.7m (£5.2m) but administrative expenses increased and operating profits declined to £903,000 (£1.03m). Interest receivable was £320,000 (£333,000).

The interim dividend is maintained at 1.3p, payable from earnings of 4.5p (5.2p).

Refuge reports buoyant sales

Refuge Group yesterday reported buoyant first-half sales within its assurance marketing group, where regular premiums rose 12 per cent from £16m to £17.9m, while single premiums increased 35 per cent from £19.6m to £26.5m. Unit trust sales also rose by 2.7 per cent.

At Canterbury Life Assurance, a transaction carried out to accommodate its capital needs for the next two years resulted in the realisation of an exceptional net gain of £4.9m.

An exceptional provision of £5.6m had been made in connection with the decision to scale down the operations of RLJ Finance, the personal loans subsidiary, which had continued to trade at a loss.

AB Consultants dives to £41,000

Profits before tax of Associated British Consultants, which provides engineering consultancy services to the construction and engineering industries, fell from £1.14m to £41,000 for the year ended April 30.

The final dividend is halved to 2.1p making a 4.3p (6.4p) total. Earnings emerged at 0.3p (9.5p).

Net turnover rose slightly to £11.1m (£10.8m) reflecting the acquisition of the Brian Ford Partnership.

MBO at Continuous Stationery proceeds

Mr William Eastwood, chairman of Continuous Stationery, the printing group, told the annual meeting that backers had agreed in principle to fund the management buy-out offer at 40p a share.

Since the announcement in February of the plan, a number of other approaches had been made.

These parties had been given all the help they needed, he said, but no offers had been forthcoming and the company had therefore progressed with the management buy-out team.

The company expected to make a further announcement within the next few weeks.

Marginal deficit at revamped SW Wood

In a year which marked a transition from metal trading into printing and packaging, SW Wood suffered a marginal loss of £15,000 pre-tax in the 12 months to March 31.

The group, however, expects to return to significant profits this year. Consequently the single dividend is lifted to 0.25p (0.1p).

The acquisition last August of Proofed Packings will take the group on its new course via a new subsidiary, Riverside Packaging Printers. In addition Grange Group, a printer of magazines and journals, was purchased in February via a placing and open offer.

Acquisitions contributed £2.34m to turnover of £5.03m, which also included £3.69m from discontinued operations. Gross profit rose to £1.03m (£685,000). But operating expenses took £1.25m (£1.04m).

Holders Tech edges ahead to £198,000

Holders Technology, the USM-quoted importer and distributor of equipment for the electronic engineering industry, lifted profits to £198,000 for the half-year to May 31.

The increase from the previous £181,000 was achieved on turnover of £1.65m (£1.53m).

The interim dividend is maintained at 2p, payable from earnings of 4.23p (3.84p).

AIB's US arm tops $44m at midway

First Maryland Bancorp, the US subsidiary of Allied Irish Banks, made profits of $24.3m (£12.7m) in the second quarter of the year, up from $20m at the same stage of 1991.

Profits for the first half amounted to $44.3m ($30.4m). The return on average assets was 1 per cent, while the return on average equity was 14.2 per cent.

Provisions against possible loan losses were said to have fallen since last year while net interest income and fee-based revenues were up.

Mr Gerald Scanlan, AIB deputy chairman and chief executive, said the bank had a total capital ratio of 13.23 per cent and a high liquidity.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
AB Consultants ......fin	2.1	Oct 8	4.2	4.3	6.4
AIM ......fin	5	Oct 8	4	6.5	5.5
Border TV § ......fin	1.6	Oct 12	1.22	2.7	2.7
BWD Securities § ......int	1.3	Oct 3	1.3	-	3
City of Oxford ......int	1.2‡	Aug 28	1.2	-	4.9
Exmoor Dual ......int	2.7‡‡	Sept 4	2.7	-	10.5
Flem American ......int	0.35	Aug 28	0.5	-	1.25
Doeflex ......int	1.6	Nov 23	1.32	-	4.02
Eve § ......fin	7	-	6.5	9.7	9.2
Holders Tech § ......int	2	Sept 16	2	-	6
Menvier-Swain § ......fin	6.3	Oct 1	5.1	9†	7.3
Prop Security ......fin	2.25	Oct 1	1.875	3.75	3.125
Southend Prop ......fin	2.73†	Oct 2	2.48	4.18	3.8
Union Discount ......int	nil	-	11.5	-	13.5
Wood (SW) ......fin	0.25	Oct 2	0.1	0.25	0.1

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡First interim. ‡‡Third interim.

PUBLIC WORKS LOAN BOARD RATES

Effective July 22

	Quota loans*		
Years	EPT	At†	maturity
1			
Over 1 up to 2	10¼	10¼	10¼
Over 2 up to 3	10¼	10¼	10¼
Over 3 up to 4	10⅛	10⅛	10⅛
Over 4 up to 5	10	10	10
Over 5 up to 6	10	10	9⅞
Over 6 up to 7	9⅞	9⅞	9⅞
Over 7 up to 8	9⅞	9⅞	9⅞
Over 8 up to 9	9⅞	9⅞	10
Over 9 up to 10	9⅞	9⅞	10
Over 10 up to 15	10	10⅛	10⅛
Over 15 up to 25	10¼	10⅛	10⅛
Over 25	10⅛	10	10⅛
			10

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

FINANCIAL TIMES SURVEY

PHARMACEUTICALS

Industrial relationships: Still in a transition period .... Page 2

Pricing: Japanese focus on new drugs and more research .... Page 3

Thursday July 23 1992

Drugs companies are concerned that they could be forced to negotiate not only the traditional hurdles of safety, quality and efficacy, but a new one – that of cost-benefit. Paul Abrahams reports

Shake-up is on the way

PHARMACEUTICAL companies have withstood the recession as though charmed. Apparently inoculated against the slowdown in the world economy, the sector has offered conspicuously impressive earnings growth.

But parts of the pharmaceuticals business look sick and the prognosis for some groups is gloomy. Income growth looks set to slow while costs continue to escalate. Faced with the danger of falling returns, the sector looks set for significant restructuring, with the strong becoming stronger and the weak driven into mergers or even forced to exit.

The main driving force behind the coming shake-up is increasing state interference with drug prices. Governments everywhere are trying to control rapidly expanding healthcare budgets. Ageing populations and the growing cost of health technology have led to an alarming increase in healthcare expenditure.

In the US, spending on health increased between 1960 and 1991 from 5.5 per cent of GNP to 12 per cent, according to Mr Peter Lauper, head of pharma-economics at Ciba-Geigy, the Swiss group. He estimates the figure will reach 15 per cent by the end of the decade.

For governments, the agony has been compounded because the burden of such increases has fallen disproportionately on the state. Over the past 20 years, the proportion of healthcare spending paid for by the US federal and state authorities has risen from 22 per cent to 41 per cent.

Governments, scared by such figures but politically shy of tackling expenditure on hospitals and doctors, see drugs expenditure as an attractive target for cost savings.

Most governments have attempted to achieve savings through aggressive pharmaceuticals price controls. The pace of such interference is accelerating. Last month, the German government extended its reference pricing system, setting limits for the reimbursement of certain drugs. Patients pay the balance. In Japan, the Finance Ministry launched the latest in a series of price cuts last April.

In the US, political pressure from politicians has drawn blood. Last month, Mr Gerald Mossinghoff, president of the US Pharmaceutical Manufacturers Association, said drugs companies supplying a third of the US market had promised voluntarily to keep price increases at or below the rate of inflation.

As price controls start to bite, so growth in the world pharmaceuticals market will decelerate. Wellcome, the British group, estimates that between 1985 and 1990, the world drugs market increased on average by 13 per cent a year. For the five years after 1995 that figure could fall to only 5 per cent, it believes. Others believe the figure could be about 9 per cent.

The other force driving change is the rapidly rising cost of research and development. The industry spends about $26bn at present. In the US, R&D expenditure was $11bn in 1992, up from $9.6bn in 1991 and about $600m in 1970. Dr Armin Kessler, president of the European Federation of Pharmaceutical Industries Associations, has warned that even the existing level of expenditure is unsustainable.

It is in this context of rising costs and slowing growth that pharmaceuticals groups and the drugs divisions of almost all the big chemicals companies are trying to expand. But the industry cannot accommodate them all, warns Mr David Alcraft, director of healthcare and pharmaceuticals at PA Consulting Group.

Competition is increasing. In the UK, for example, there were 28 per cent more drugs on the market in 1990 than in 1980, according to Mr Martyn Postle, a consultant at Coopers & Lybrand.

With slowing revenue growth and increasing costs, the industry's return on capital is bound to fall, warns Mr Postle. He argues the sector is on the threshold of a significant shakeout. In 1989, half of world sales were in the hands of 25 companies. He believes that by the end of the decade that figure will be 15.

The impact of the slowdown will fall unevenly. Those companies that have previously been able to offset a lack of new products by increasing prices will prove most vulnerable. Analysts believe US companies such as Warner Lambert and Upjohn have been highly dependent on price increases for revenue growth.

Those that survive must be doubly strong. First they must create innovative products that can command premium prices. Then they must have the necessary marketing networks to exploit them fully.

Creating such innovative products is far from easy. Discovering new chemical entities is fairly simple. The difficult part is identifying which ones are likely to provide competitive advantage through greater safety or efficacy.

Mr Lauper at Ciba-Geigy explains: "The essential component is quality of spend. You have to learn to manage the pipeline, accelerating development of selected compounds so you can reach the market more quickly, while at the same time remaining ethical – in other words not cutting corners."

In the battle to demonstrate the extent to which a drug is innovative, pharmaceuticals groups are adding a new weapon to their armoury: health economics. In order to guarantee premium prices for innovative products, the drugs groups are looking to demonstrate the cost-benefit of new compounds.

"Previously you just had to demonstrate the drug's quality, efficacy and safety. Now you have to show it is cost-effective," says Mr Lauper.

The industry, for the most part, welcomes the opportunity. Some benefits are easily demonstrated. SmithKline Beecham's Tagamet and Glaxo's Zantac both allow stomach ulcers to be treated at home rather than using expensive, potentially dangerous, surgery.

However, there is concern that drugs companies could be forced to negotiate not only the traditional hurdles of safety, quality and efficacy, but a new fourth – that of cost-benefit. The danger is that regulatory authorities, currently only concerned with the safety, quality and efficiency of drugs, will in future only licence medicines that also demonstrate they can save costs elsewhere.

Meanwhile, marketing will continue to be vital. Drugs groups will need access to worldwide marketing forces so they can maximise sales during the short period when the drug's patents remain valid, says Mr Postle.

Several groups have been been able to increase their revenues significantly by setting up joint-marketing agreements.

Wellcome, for example, has agreements to market Zovirax, its anti-viral medicine, with Hoechst in Germany, Sigma Tau in Italy and Sumitomo in Japan.

Some small companies should be able to survive by creating niches, either in research, using new technologies, or in marketing in specific therapeutic or geographical areas, says Mr Alcraft.

The main losers will be those caught in the middle, he warns. Without sufficient critical mass in research and development, they will have few compounds and little experience in negotiating the necessary regulatory hurdles.

In addition, they will have increasing difficulty attracting good researchers.

Mr Alcraft explains: "The problem for the medium-sized players is that emotionally it is difficult to admit you aren't going to be the next giant. The option of being a niche operator is open, but it's a tricky decision to make."

One solution for smaller organisations is to set up joint ventures to share the costs of marketing and to increase revenues that will offset massive expenditure on research and development.

Otherwise, one option for such groups is to merge. The main synergies appear to be that marketing reach is extended and that cost-savings are achieved by rationalising headquarters costs.

The pace of change is likely to prove variable. Many pharmaceuticals companies are parts of larger chemicals groups.

In the short term, most main boards will be unwilling to give up their high-performing pharmaceuticals divisions.

But in the long term, pharmaceuticals groups must gain critical mass, find niche areas of specialisation or wither.

Clive Cookson on R&D

The challenge: speed invention and curb costs

PHARMACEUTICAL laboratories come in many shapes and sizes. Grandest of all is the £500m research centre now under construction for Glaxo in Stevenage, 30 miles north of London.

The Glaxo labs – said to be largest building project in the UK after the Channel Tunnel – will house 1,400 researchers when they open in 1994.

Having so many scientists working together on one site gives them all access to the best possible range of expensive up-to-date equipment. There is a danger, however, that bureaucracy will smother the imaginative approach that is essential for developing innovative drugs. Glaxo will try to overcome this by clever research management, to make the scientists feel they are working in small units.

The opposite school of thought – that research flourishes best in genuinely small groups – is illustrated by Scotia Pharmaceuticals, an emerging UK company which specialises in drugs based on essential fatty acids.

Scotia has no more than 170 employees altogether. Yet it carries out research and development on six widely separated sites: at Callanish on the Isle of Lewis in the Outer Hebrides, Dundee on the east coast of Scotland, Carlisle in north-west England, Writtle in Essex, Guildford in Surrey and Nova Scotia in Canada.

Dr Iain Law who is in charge of R&D at Callanish – surely the most remote pharmaceutical laboratory in Europe – says he keeps in good touch with the other facilities through visits from colleagues and through the weekly notes written by all Scotia R&D managers and circulated around the company.

All pharmaceutical labs, whatever their size and location, face a common challenge: how to restrain the soaring costs of R&D and at the same time speed up the discovery and development of new drugs.

According to data collected by the Centre for Medicines Research in the UK, worldwide spending on pharmaceutical R&D increased by an average of 16 per cent a year during the 1980s. The global total reached $24bn in 1990; 15 per cent of pharmaceutical sales. Almost half of the industry's R&D expenditure is in Europe, 36 per cent in the US and 15 per cent in Japan.

Unfortunately the rapid rise in R&D spending has not produced a corresponding increase in the flow of new drugs onto the market. The number of medicines launched during the early 1980s averaged about 60 per year. During the three years 1989-91 it was close to 40 a year. The number of new drugs originating in Europe has fallen over the decade from 30-40 a year to 10-20 a year.)

The total time taken to develop each new drug has increased steadily since the 1960s. The clinical phase – testing the drug on human patients – doubled during the 1980s to reach an average of seven years. Trials are taking longer because regulatory authorities are requiring more and more clinical data, while doctors and their patients are becoming more reluctant to take part. Companies are having to spend more time and

Continued on Page 2

PHARMACIA BIOPROCESS TECHNOLOGY

Yuri first.
Nobody second.

EVERYONE knows the name of the first man in space. The history of discovery is a history of famous firsts. Second is next to last.

The same is true of modern medicine. Success means reaching the market with a new drug first. To be second, on the other hand, especially given today's development costs, can mean total loss.

And second is the price many developers pay for waiting longer than necessary for regulatory approval.

Pharmacia BioProcess Technology can help your biotech product gain regulatory approval as swiftly as possible. We manufacture the world's leading range of separation media, chromatography columns and systems to supply complete solutions in downstream purification.

Contact us for the Fast Trak Purification* Information pack or information on any other of our products.

We also offer a unique level of support all the way from R&D through scale-up and regulatory approval to production.

This support includes a portfolio of consultation and educational services called Fast Trak Purification.

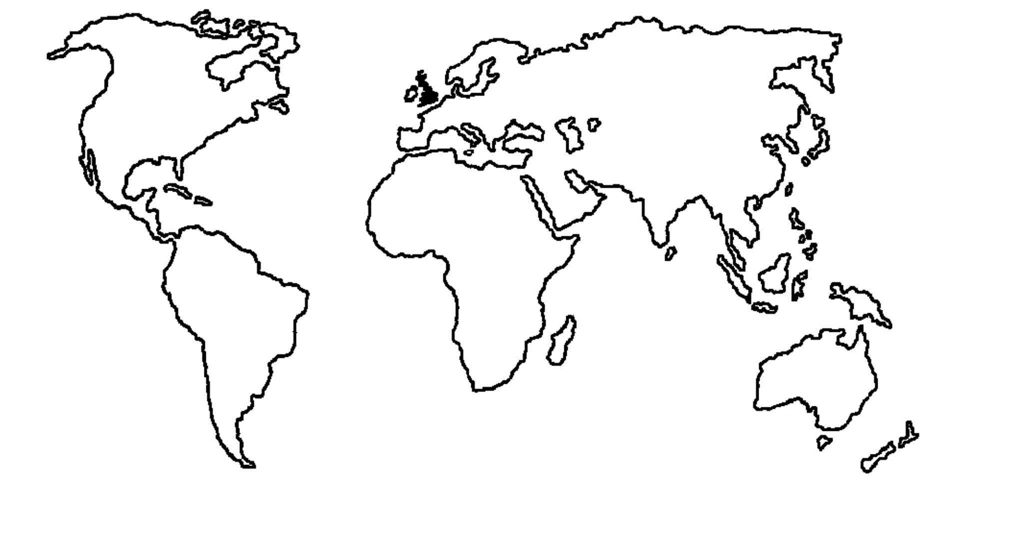
Process design, scale-up, validation, staff training and other key issues are covered by these services, which draw on Pharmacia's unrivalled record in downstream purification and close understanding of regulatory authorities to speed products cost-efficiently to market.

In short, with Pharmacia as your partner, the Herman Titovs of this world come second — not you.

Pharmacia BioProcess Technology AB S-751 82 Uppsala, Sweden Telephone +46 18 16 50 00

Pharmacia

Those countries trailing Britain in pharmaceutical research are shown in pink.



It's no accident that 3 of the world's top 5 best-selling medicines were developed in the UK.

The pharmaceutical industry devotes more of its earnings to research and development than any other sector in this country - equating to 16% of gross output, compared with only 2% for manufacturing industry as a whole.

And, judging by our almost £1.2 billion trade surplus in medicines last year, we're certainly helping to get Britain's economy out of the red.

THE BRITISH PHARMACEUTICAL INDUSTRY
HELPING TO KEEP BRITAIN HEALTHY

abpi

Challenge is to curb costs, speed invention

Continued from Page 1

money to recruit the hundreds or even thousands of people they require to test each drug.

The industry is responding in two main ways: lobbying the authorities to reduce the regulatory burden, and operating its R&D effort more efficiently.

One way to ease the regulatory burden is to harmonise requirements around the world, so that companies do not have to repeat tests unnecessarily to satisfy authorities in different countries. This is already happening within Europe through the EC.

On a global level, the first international conference on harmonisation in Brussels last November was an important step toward bringing the US, Japan and Europe into line. It was agreed then, for example, that routine 12-month toxicity tests on animals should be abandoned in favour of six-month studies.

But much more needs to be done, particularly to harmonise clinical requirements. Complete standardisation is unattainable because medical *practice and social conditions* vary so much around the world. The ultimate objective is to retain only those differences that can be justified by *rational criteria*.

At the same time companies are trying to improve the productivity of their researchers, particularly in the pre-clinical *phase which they can control* more closely than clinical trials. They are investing heavily in new technology – ranging from computerised chemical *databases to molecular modelling* graphics and automatic gene sequencing machines – to help the scientists select and adapt compounds more rapidly for drug development.

Besides introducing new technology, the industry is changing the way it manages R&D. A good UK example is ICI Pharmaceuticals. "We have redesigned our approach to get the fastest possible answer to the question: Does the drug behave in humans in the way we would predict from our laboratory models?" says Dr Tom McKillop, technical director.

ICI is now consistently achieving its target of administering candidate drugs to human volunteers within 14 months of their first synthesis – a great improvement on the company's previous average performance of 30 months. At the same time, ICI is being much more ruthless in abandoning compounds that do not live up to their initial promise. Dr McKillop says the new regime is quite different to ICI's traditional approach which "assumed that every drug was going to succeed."

Research and development: companies are trying to improve the productivity of their researchers. It was ever the case: Marie and Pierre Curie, portrayed by Greer Garson and Walter Pidgeon in Metro-Goldwyn-Mayer's film from the 1940s

Alan Archer assesses threats to profitability

Emphasis shifts to elderly

AT a time when most of the world's industry has been undergoing a restructuring phase brought about by the recession, the pharmaceuticals industry worldwide (not accounting for the former *communist bloc for which reliable sources* are not yet available) has been putting forward its defensive qualities and has lived up to its description: "almost recession-proof."

*Industry executives are asking them*selves, with increasing nervousness, how much longer the good times can last. Drug sales are hardly affected by the ups and downs of the economy, but how long can *the drug companies continue to announce* earnings growth of 15 per cent per year?

According to Mr Sam Isaly, of Mehta and Isaly, New York, the world market grew 10 per cent with total sales of $165bn *in 1991. The industry's annual* growth rate has slowed a little over recent years but continues to exceed the rate of growth of the world economy as a whole.

The past few decades have proved to be *a golden era for the pharmaceutical indus*try but despite the rise in sales the industry is still in a transition period highlighted by the amount of consolidation taking place in the past few years.

On the positive front, many in the industry feel that the underlying demand for innovative drugs to meet and satisfy medical needs will be boosted by the shift of focus towards the elderly. This is a continuing campaign run by the UK pharmaceutical industry, according to Mr Ben Hayes, spokesman for the Association of the British Pharmaceutical Industry (ABPI). The impact on pharmaceuticals demand will be considerable.

Using the UK as an example, drug expenditure per head in the over-65 age group is four times the level of the rest of the population. Companies which will benefit most from the changing demographic pattern will be those that provide for the chronic diseases of old age; arthritis, coronary disease, hypertension and central nervous system-related illness.

Many companies are investing heavily in this latter area, particularly in research into Alzheimer's and Parkinson's disease.

The company which comes out first with a product that treats these ailments would be guaranteed spectacular sales, as Wellcome has had with its Aids treatment, Retrovir (Zidovudine).

Another important issue is that of demographic changes and their impact on demand. The world population is growing *rapidly – by some 17 per cent a year* – with the poorest countries growing the fastest. The less-developed regions of the world account for 76 per cent of the population and at present less than 15 per cent *of pharmaceutical consumption. But many* industry observers believe that this will rapidly change over the next two decades.

It is thought that this demand will be satisfied by the launch of new products *resulting from new technology such as* molecular biology which is now producing a large quantity of new drug products based on the rational drug design.

On the negative side, there are many *cries from the industry forecasting* reduced profitability in the next decade. There are several forces affecting this profitability:

● Pricing pressures from governments *worldwide and also private buying organi*sations. Drugs are a tempting target for

Only companies with a clear strategy on what areas they want to compete in will succeed

governments wishing to restrain soaring healthcare costs, although they represent only about 10 per cent of health spending and can save money if used sensibly.

● The increasing trend in generic prescribing and generic substitution means that products will lose their market share rapidly after patent expiry. This will be further highlighted by the fact that tried and tested branded products such as Tagament, Capoten and Tenormin will be included in the new generics being offered in the near future.

● Increasing regulatory requirements are delaying product launches and causing an erosion of patent life. In many countries, regulatory departments have a backlog of filings awaiting review.

● Escalating research and development costs. According to the US Pharmaceutical Manufacturers Association, the most recent estimate of cost involved in developing a new drug has risen from $125m in 1987 to $245m in 1991.

For several years, many drug companies had no clear policy on what therapeutic product groups and geographical areas they wanted to trade in, taking a somewhat haphazard approach. But the current consolidation process has changed all that.

Pressure is building and only companies with a clear strategy on what areas they *want to compete in will be successful.*

"Most companies have decided where they want to be by the year 2000," says Mr Robin Gilbert, analyst at James Capel. "Certainly Merck and Glaxo have clearly *defined their role, but others like Upjohn,* Warner-Lambert, Pfizer and Syntex are not completely clear what their position is."

The 1990s have brought about the need *for a much greater awareness of the drugs* available and the world's drug market. GPs now have a much better choice of medications for prescribing and are increasingly using computer data bases, *not only for information sourcing but also* the ordering of pharmaceuticals.

● The greater concern taken by the general public (action and lobby groups) and media to investigate wherever possible the cost benefits and safety of the drugs they are prescribed.

● An increasing collaboration world-wide by regulatory bodies. The globalisation of industry in the 1990s will be assisted by the standardisation of regulatory approval procedures for new drugs. As European regulations are unified after 1992, they will gradually come together with those of the US Food and Drug Administration (FDA).

The use by the FDA of European data for the investigation of Glaxo's filing of its new migraine drug, Imigran (sumatriptan), is a very good example. Launched in the UK in October 1991, the drug has been fast-tracked in the US and approval by the FDA may be imminent.

● The growing knowledge by competing companies of each other's R&D programmes and general strategies. Professor Horst Meyer, head of Bayer Pharmaceuticals thinks further concentration of the world's pharmaceutical industry is inevitable. The need for substantial investment in research and development required to discover "block-buster" drugs with sales of more than $500m a year was beyond the means of all but the largest companies.

Prof Meyer said the top 10 companies were spending 35 per cent of all money dedicated to pharmaceutical R&D and the proportion was likely to increase.

In addition, smaller companies were handicapped by their inability to market drugs in the three largest markets – the US, Europe and Japan. The top pharmaceutical groups were able to recover their ever-larger investments by selling the drugs in all three areas, added Prof Meyer.

The author is the editor of Financial Times Pharmaceutical Business News.

Peter O'Donnell on the EC single market

Ideals or eyewash?

IDEALISTIC rhetoric about the completion of the internal market for pharmaceuticals does *not seduce the* European Court of Justice.

Only a few weeks ago it overruled the pleas of the EC Commission – and set aside more than 25 years of *Community* harmonisation – by ruling that "It is up to the national authorities... to decide whether each product is a medicine or not". By one of those ironies that occasionally enliven EC wrangles, the product in question was an eyewash.

The case is another demonstration that despite impressive progress – particularly in harmonised requirements on testing, production and product information, and *in* increased patent protection – there are still important gaps in the single market programme for pharmaceuticals.

*The priorities now, the Com*mission admits internally, are the creation of "a better European authorisation system" and action "in the areas of *pricing and social security cover*age of medicines".

Medicine manufacturers agree: the Association of the British Pharmaceutical Indus*try says its members' prosper*ity and research capacity depend on getting European agreements on a new authorisation system and on "an appro*priate means of ensuring a fair* price is paid for innovative medicines".

Last month, a marketing authorisation solution came *closer, with a political agree*ment among the member states to set up a new European Medicines Agency which will make binding European decisions. One of the most significant remaining impediments to free circulation could disappear as from 1994.

But on pricing and reimbursement, the outlook is more confused – largely because of the distinct objectives of each of the different players. Member states focus mainly on their health budget, within which the drug bill is merely one element in a complex national balance of many polit*ical factors.* The research-based industry wants free market conditions that, it says, will allow it to compete with its US and Japanese rivals: intervention of all types is denounced as "leading inevitably to market distortions" by Mr Alberto Aleotti, Menarini's chief executive officer.

Generic medicine manufacturers, stung by patent term extension, are calling for "compensatory measures to ensure a significant presence of generic medicines on the European market". European consumer representatives such as Mr Luc Joossens complain that EC legislation on pharmaceuticals has already excessively favoured the industry (he terms the recent patent term extension measure "a catastrophe"), while on consumers' long-standing criticisms of companies' pricing policies, he says: "Nothing has been resolved".

When the Commission rolls out its pricing proposals this autumn, it will probably stop well short of interventionism – now out of fashion in subsidiarity-sensitive Brussels. It is likely, instead, to update the existing EC "transparency" requirements which are designed to prevent abuses by making member states come *clean on* the mechanisms they use to control prices, profits and reimbursement – but which leave the industry with much of the onus for policing.

Most industry voices favour such a "hands-off" EC approach, on the basis that the wrong sort of EC pressure for convergence could make things *worse everywhere* in the Community and flatten revenues overall. But the approach still carries risks for industry: the EC Commission's non-interven*tionism* was loudly acclaimed by the German drug industry on a ceremonial visit to the European Parliament's June plenary session in Strasbourg.

Each operator will have to develop his strengths to maximise his single market benefits

Only days later, the German government announced its decision to impose severe cuts on pharmaceutical spending as from the beginning of the year.

In any event, the internal market for pharmaceuticals is *not going* to introduce predestination to pharmaceutical provision; the Commission is giving greater emphasis to the market in its public pronouncements. The *continuing* diversity of national health care systems and habits will put a premium on initiative, adaptability and resilience, says Mr Igor Landau, who heads France's biggest drug company, Rhône-Poulenc Santé:

"Better prices for new products can be won, even in traditionally lower-priced countries", he says, "But firms will have to keep up the pressure with demonstrations of product cost-effectiveness."

Each operator will have to develop his own strengths to maximise his single market benefits: Glaxo says it "derives some general advantage from being established in virtually every EC member State".

Mr Didier Wold, a Paris-based consultant to the industry, predicts that the European pharmaceutical market will still be a maze after 1993 and that finding the right paths through it is going to become more important than ever.

The US drug industry association has had an office in Brussels for three years now and Mr Michael Calingaert, its European director, believes American companies have the advantage that they are already "comfortable in a single market context".

Even mainline wholesalers, catalysed by the prospects for the single market, are now internationalising; their objective is to become "big enough to drive better bargains than in the past with multinational manufacturers", warns Mr Mike Watts of the British Association of Pharmaceutical Wholesalers. And the non-prescription medicines sector sees new opportunities from what it calls the validation of its products by single market rules on advertising, product category and information, according to Dr Hubertus Kranz of AESGP.

Parallel importers too, flourishing in their new respectability among economy-conscious governments, are looking forward to sustained growth and continued official support – despite the outrage of manufacturers such as Mr David Godfrey of Wellcome, who observes that "there could not be a market situation more distorted than this" and that the EC Commission "should not countenance it".

He says that parallel imported products account for about one in five of all branded NHS prescriptions dispensed by retail pharmacists – up to a third in the past year – and: "The winner is the trader who can best exploit the system by shopping in the member state with the most repressive pricing system".

Mr Paul de Souter, chairman of the Belgian drug industry association, AGIM, says gloomily that if the single market brings increased parallel importing, tougher wholesaling deals and generic substitution: "This could prove to be too high a price for some small additional patent protection and a possible drug registration agency".

The EC Commission's Mr Fernand Sauer, one of the chief architects of EC drug regulation, dismisses industry concerns over parallel importing as *"a problem of the past"*. He says that it amounts to no more than 2 per cent of the total EC medicines market, and "companies have already learnt how to deal with it".

Instead, Mr Sauer emphasises the opportunities he sees for companies to build their future: free circulation will allow companies to rationalise their EC operations; harmonisation of drug testing requirements will permit reduced development costs; increased transparency will disclose abusive member state practices on pricing and reimbursement.

But he insists that it is up to each player to decide whether and how to use the opportunities. "There is certainly going to be a single market", he says, "and there will be firms and subsectors that benefit from it. But at the same time, those who get it wrong could be victims of it".

The internal market will be more successful for Europe as a whole if it is free from eyewash, but it is certain that clarity of vision will be a vital determinant of each player's ability to see its own ideals achieved.

RHÔNE-POULENC RORER

A GLOBAL GROUP DEDICATED TO HUMAN PHARMACEUTICALS

- $3.8 billion sales in 1991
- More than 20,000 employees worldwide
- R&D annual expenditures of $440 million
- 3,400 researchers and specialised medical and scientific teams in over 30 countries
- Three research centres: United Kingdom, France, United States
- Research programmes focusing on six major therapeutic fields:
  - *Cardiovascular Medicine*
  - *Infectious Diseases, AIDS*
  - *Central Nervous System (CNS) Disorders*
  - *Inflammation and Allergy*
  - *Bone Metabolism*
  - *Oncology*

KRKA p.o.
NOVO MESTO
SLOVENIA

Export-Import Division
Dunajska 65, 61000 Ljubljana
Slovenia
Tel.: +38 61 114-333
Fax: +38 61 314-569

- **Pharmaceuticals**
- **Pharmaceutical raw materials**
- **Veterinary and biosynthetic products**
- **Chemical synthesis of pharmaceutical substances**
- ***Over-the-counter drugs and processing of medicinal herbs***
- **Cosmetics**
- **Glass fibre products**
- **Spa and hotel resorts in Dolenjske Toplice, Šmarješke Toplice and Strunjan**

Exports in 1991
$120 million dollars

What is madness ?

Schizophrenia is madness.
250,000 people in Britain suffer.
50,000 suffer so severely that treatment has not helped.

Is it also madness to wait 25 years
before offering a medicine;
then to offer it only after establishing
a 24 hour a day 7 day a week team
dedicated to making sure it's used safely;
and to offer it only to the 50,000
who suffer most severely?

Not if you're one of the 50,000.

SANDOZ

MEDICINE WITH CARE

SANDOZ PHARMACEUTICALS, FRIMLEY BUSINESS PARK, FRIMLEY, CAMBERLEY, SURREY GU16 5SO

Emiko Terazono reports on Japan's drugs industry

Companies focus on new drugs and more research

MOUNTING worries over international expansion by Japan's pharmaceutical industry – following their counterparts in the vehicle and electronics industries – have been calmed by slower-than-expected results by the overseas operations of the drugs groups.

However, the Japanese pharmaceuticals industry is at a turning point, as companies are shifting focus towards production of new and effective drugs and boosting research and development.

Compared to their western counterparts, Japanese drugs companies have operated on a smaller scale, focusing on the domestic market, the second-largest in the world with annual sales of Y6,000bn. The companies traditionally relied on small-step innovations of existing drugs, mainly lower-value antibiotics and vitamins.

However, a decline in profitability of domestic operations, brought about by recent reforms by the Ministry of Health and Welfare, has forced companies to shift emphasis on R&D in order to create world-beating innovatory products.

Until recently, Japanese drug companies have been complacent about R&D because of the government's drug-pricing policy, where all new drugs were awarded premium prices whether or not they were dramatic improvements.

Companies, lacking the incentive to develop innovative drugs, chose only to make

Profits at companies lacking new products have been squeezed by the government's official price cuts

small changes to existing drugs rather than spend big sums on product development. Companies also relied on profit margins from the distribution of drugs supplied by foreign companies under licence for the Japanese market.

The push by the government for new and effective drugs has been prompted by a change in pricing rules. From this fiscal year, the only drugs to be allowed premium prices will be those which represent a new concept, are more effective than existing drugs and which make a noticeable contribution to treatment.

Profits at companies lacking new products have been squeezed by the government's official price cuts implemented every two years from 1981 and averaging from 10 to 15 per cent. The cuts are applying pressure on companies to produce new drugs because the impact on the profit margins of new drugs is less severe.

In addition, foreign drug companies have started to terminate distribution tie-ups as they establish their own networks in Japan, reducing commissions for the former Japanese partners.

As companies increase R&D and capital investment spending, the need to establish a worldwide presence in order to recoup costs has increased sharply. Japanese companies also say that market share in Japan has hit a ceiling. "Profits have reached upward limits," says Fujisawa Pharmaceutical, Japan's third-largest with sales of Y227bn.

R&D expenditure has doubled during the past 10 years while net sales increased by only 50 per cent during the same period.

The percentage of R&D expenses to net sales rose to 11.1 per cent in the last fiscal year from 7.2 per cent in fiscal 1982.

Because a typical drug takes 10 years and Y10bn to develop, only those companies large enough to absorb costs will be able to survive in the long run.

"Companies without strong R&D pipelines and new innovative products will drift sideways," says Mr John Wilson, analyst at James Capel in Tokyo.

Yamanouchi Pharmaceutical, one of the most aggressive in international expansion, admits that it will take another 10 years before the company becomes truly global.

Fujisawa is also increasing production and marketing capacity in the US and Europe ahead of the launch of FK-506, an immune system suppressor used to prevent transplant patients rejecting new organs.

Japanese drugs makers are currently boosting efforts to build comprehensive and independent operations in R&D, production and marketing.

However, compared with the large-scale mergers and acquisitions in the US and Europe, the purchases and joint ventures have been modest in size.

Mr Thomas Hofstaetter, executive managing director at Hoechst Japan, says there is a lack of candidates for acquisitions by Japanese companies.

"The targets are often expensive and it is not economical," he explains.

Meanwhile, the sharp decline in asset values in Japan, bought on by the slump in the stock and property markets, have made small and medium-sized Japanese drugs companies ideal targets for global pharmaceutical groups looking to expand in Japan.

The country's market holds substantial potential for further growth as the population ages rapidly and consumers become increasingly health-conscious. Corporate financiers point out that the smaller companies, unable to survive through the industry's consolidation due to the lack of financial and R&D resources, are receptive to cross-border mergers and acquisitions.

Pfizer, the US drugs and chemicals group, announced plans to buy Koshin Medical, a privately-owned medical equipment distributor earlier this year. Last year, Monsanto of the US acquired 12 per cent of Hokuriku Pharmaceuticals for Y14.5bn.

Mergers and acquisitions among Japanese companies, including rescues of smaller companies, are also expected to increase. But Mr John Wilson at James Capel predicts that alliances between industry leaders to create larger pharmaceuticals groups would be unlikely due to lingering negative attitudes towards M&A among Japanese companies.

Rush hour at Shibuya Station, Tokyo: The Japanese market holds substantial potential for further growth as the population ages

Marjorie Shaffer examines developments in the US

Prices continue to be a big issue

THE US pharmaceutical industry prospered mightily in the go-go years of the 1980s. Profit margins widened and revenue growth marched steadily and reliably upwards.

But no one expects a repeat performance in the 1990s amid continuing pressure from Washington, patient advocacy groups and insurance companies to slow the rise in prescription drug prices.

Over the past decade, the industry habitually raised the price of prescription drugs in the US at least twice or three times the rate of inflation. The steep price increases contributed to hefty double-digit profit gains of 17-20 per cent.

But because of the pressure to limit price increases, most analysts agree that annual profit gains will slow to 13-15 per cent by 1995. Some analysts even predict that overall industry earnings growth could dip below 10 per cent.

Whatever the numbers eventually turn out to be, heavy criticism of US prescription drugs is forcing the industry to act with more restraint. Pharmaceutical giant Merck said last year it would not raise prices more than the rate of inflation and other companies, including Pfizer and Bristol-Myers Squibb, have followed suit.

"I think there is less pricing flexibility than in the past," said a spokesman for Warner-Lambert, a New Jersey-based drug company which has announced that its price increases will be "reasonable".

The pressure to stem the rise in drug prices is apparently taking a toll already in some areas. Earlier this year, drug companies reported below par first-quarter results, leading to a sell-off on Wall Street. The first quarter is when the industry usually puts through its annual price raises. This year, price increases were halved to 5-6 per cent from the 10-12 per cent typical of the past five years.

Analysts say continuing pricing constraints will hurt companies without strong product pipelines.

Upjohn, a drugs company based in Kalamazoo, Michigan, that many analysts say lacks a strong research and development pipeline, has announced that it expects its second-quarter net income to be flat. It said it was offering voluntary retirement to about 10 per cent of its workforce to reduce costs.

Bristol-Meyers Squibb surprised Wall Street last month when it released a disappointing second-quarter earnings forecast.

While price increases have apparently moderated, Americans still pay some of the highest prices in the world for prescription drugs. In most other countries, prices are subsidised by governments that negotiate with drugs companies, but drugs companies in the US have long set their own prices.

Elderly consumers bear the brunt of the costs, according to a study by Purdue University's Pharmaceutical Economics Research Center in Layfayette, Indiana. The Purdue study estimates that the elderly account for nearly 35 per cent of retail expenditures for prescription drugs in the US.

The cost of prescription drugs can be an overwhelming burden for people on fixed incomes. Senator David Pryor, chairs the Senate Special Committee on Ageing and is a critic of prescription drug prices. Earlier this year the Senate defeated a bill proposed by Senator Pryor to control pharmaceutical prices, but he intends to keep the pressure on.

Some well-publicised prices for newer drugs underscore the issue. In May, cancer experts criticised Johnson & Johnson for setting too high a price for the drug Levamisole to treat colon cancer. The company set the price at $1,250 to $1,500 for a year's supply, some 100 times higher than an older version of the drug used in veterinarian medicine.

Advocates for the mentally ill have attacked Swiss drug giant Sandoz for the price it has set for Clozapine, used to treat schizophrenia: $7,500 for the drug itself plus a required weekly blood monitoring.

And even before the experimental cancer drug Taxol is out of clinical trials, advocates for breast cancer patients wonder if the price of the drug, which may eventually reach $2,000 a gram, will simply be out of reach of most women.

The pharmaceutical industry has long justified its prices by citing huge research and development costs. According to the Pharmaceutical Manufacturers Association (PMA), the industry's trade group in Washington, research costs will near $11bn in 1992, up from $9.6bn in 1991 and about $600m in 1970.

The industry argues that it has to recoup its R&D costs. In the US, it spends a little over 16 cents out of each sales dollar for R&D, compared to 4.5 cents to 5 cents for all other industries, said Mr Jeff Trewhitt, PMA spokesman. "Of course in nations where there are price controls, like southern Europe, the prices are lower", said Mr Trewhitt, adding that in those countries with price controls there is little biomedical innovation.

"Between 1975 and 1989, 47 major world-class drugs originated in the US alone. This innovation has been fostered in a free-market atmosphere. Certainly, the R&D costs have to be covered", said Mr Trewhitt.

Despite the industry's protests, drug prices continue to be a big issue, according to analysts. "It will stay very difficult to increase prices three times whatever the consumer price index is," said Mr Neil Sweig, a drug analyst with Capital Institutional Services.

Indeed, as the US pharmaceutical industry braces itself for a colder business climate, analysts say the near future will be filled with lower growth rates and lower share prices.

Claire Wilkinson takes a look at UK marketing

Increasingly competitive

IT takes up to 12 years and an investment of £100m-£150m to discover one new drug in the UK, but even this level of investment is no guarantee of commercial success.

Cost pressures, generic substitution and the continual demand for new and effective products are making for an increasingly competitive marketplace, so how are Britain's top pharmaceutical companies shaping up to the challenge?

According to Mr Ben Hayes, spokesman for the Association of the British Pharmaceutical Industry (ABPI), the difficulty faced by the prescription industry in marketing their products to the NHS is to show that they are cost-effective.

"The challenge of all new products coming onto the market is to be new, bigger and better, and to cost less in the long run," said Mr Hayes.

Medicines prescribed by the NHS last year cost more than £3bn, about 10 per cent of total NHS expenditure. When the Pharmaceutical Price Regulation Scheme (PPRS) is renegotiated this September, further pressure to reduce the drugs budget is expected.

Companies foresee a greater movement towards economic evaluation in the future, but how does "cost-benefit" relate to the "clinical benefit" of a particular drug?

"The clinical benefit comes first," says Mr Andrew Smith, managing director UK for SmithKline Beecham. "The economic argument is a very powerful weapon if it backs clinical benefit."

Nearly 80 per cent of existing drugs will come off-patent over the next five years. How to stem the transfer of profits to generic manufacturers and get a full return on their research and development investment is a problem for drug companies.

Generic competition, which lowers the price of branded products by at least 50 per cent, now accounts for 43 per cent of prescriptions and is expected to rise to 60 per cent by the end of the decade.

Among the short-term solutions tried is the promotion of different variations of an old product. A good example is SB's Amoxil, the second most widely prescribed antibiotic in the UK, which came off-patent four years ago. The company now has a different series of formulations of the drug, from drops to capsules, to a fizz tab.

"Although novel formulations do slow down the decline in sales of a product, you're often converting the business into a product which doesn't make much money," said Mr Smith. Under the PPRS, a product which is more than five years old has to be priced per milligram to the price of the original product. "You have to charge the same price as you did 20 years ago for Amoxil," he said. "Long-term, it is not a strategy or a way forward."

Greater investment in R&D, leading UK drug companies claim, is a more effective solution. As Mr Colin Wight, marketing director at Rhone-Poulenc Rorer, says: "Our track record points the way ahead. In a market where generic use is increasing, our company should continue to develop innovative new medicines as long-term protection."

The industry now spends four times as much in R&D as it did 10 years ago. This year, SB will spend £400m and RPR £263m on R&D. Concentration on novel products along with new patent legislation – under which a company can apply for a Supplementary Protection Certificate (SPC) giving it up to five years longer on a patent in the country in which it was first licensed – will balance out some of the loss in sales to generics.

Another consideration for companies is whether they should start marketing medicines over-the-counter. Both SB and RPR have their own OTC arms with established products and more prescription-only medicines (POMs) to OTC switches to follow.

For example, take RPR's Ketoprofen, the number two non-steroidal anti-inflammatory in the UK with sales of £20m. The company expects it to take the product over-the-counter within five years.

An OTC licence in the UK, Mr Wight says, would "open up a whole new field of opportunity." Switching a POM into the OTC field, companies admit, is not an easy marketing decision. As well as safety and efficacy considerations, going OTC demands a radically different marketing approach.

"They are totally different markets with different drivers and there is absolutely no guarantee that a highly successful product in the pharmaceutical sector is going to be highly successful in the OTC sector," said Mr Smith.

Tagamet, SB's blockbuster anti-ulcer drug, came off-patent in March. The company expects Tagamet to switch to OTC in the UK within the next year, and is realistic about its chances of success: "We're not going to take £500m worth of Tagamet business and convert it into an equivalent amount of OTC business."

Given that only one in 5,000 compounds investigated by companies reaches the marketplace, and new medicines account for 9 per cent of total sales, the UK pharmaceutical business is becoming increasingly risky.

Switching products to OTC will lead to more consumer advertising, but companies maintain that the marketing of pharmaceuticals will never become as blatant as selling a car. As Mr Smith points out: "You cannot encourage people to buy medicines because of the image, because if they don't work, they don't buy them again."

The author is Editorial Assistant at Financial Times Pharmaceutical Business News.

COURTAULDS ENGINEERING

Specialist project management and multi-disciplinary design capability for the pharmaceutical industry.

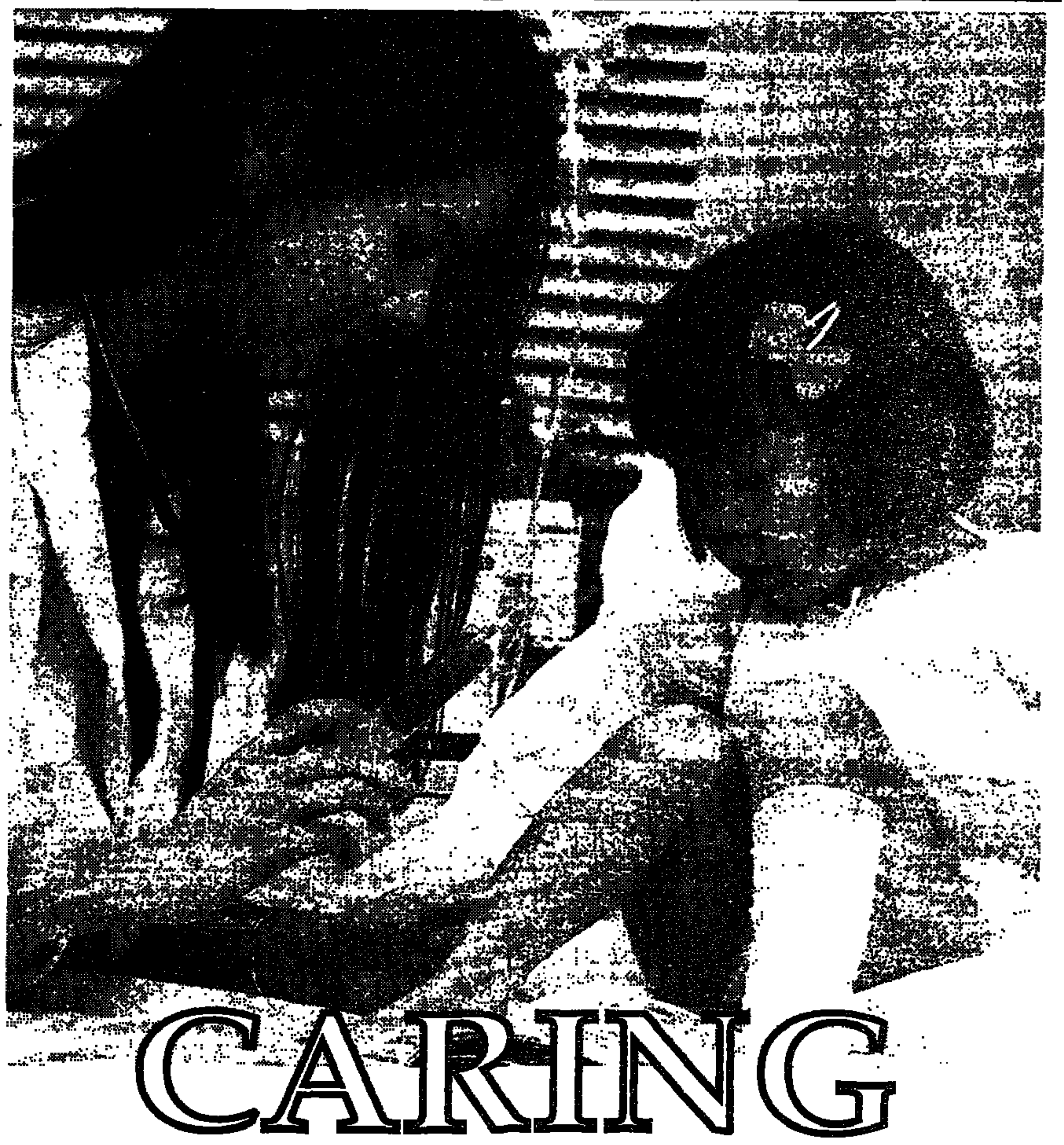
Single source responsibility for pharmaceutical projects: feasibility studies, process design, layouts, control and instrumentation, clean room technology and automated handling all through to project completion including regulatory assistance.

However demanding your requirements, Courtaulds Engineering have the necessary resources and expertise.

For a copy of our pharmaceutical brochure and further details, please contact:

John Riddell
Courtaulds Engineering Limited
PO Box 11, Foleshill Road, Coventry CV6 5AB.
Tel: 0203 862000. Fax: 0203 862200.

BS 5750 ISO 9001



Human Health is the largest division in the SOLVAY Health Sector.

SOLVAY ranks in the top 50 pharmaceutical companies worldwide with sales of USD 800 million.

Its products and research interests concentrate on Central Nervous System, Cardiovascular, Rheumatology, Gastroenterology, Gynaecology, Immunology and Dermatology.

The Group's strategy is to achieve overall profitable growth in size sales and market share through a combination of internal growth and external growth.

For SOLVAY, progress never ends.

SOLVAY
SOLVAY S A
rue du Prince Albert 33 - B-1050 Brussels

SOLVAY
A Passion for Progress

Zinc price rises prompt call for action by LME

By Kenneth Gooding, Mining Correspondent

PRESSURE FOR the London Metal Exchange executive to take action to head off technical squeezes in some of its markets increased yesterday as zinc prices rose sharply again because of impending supply tightness in October.

Traders suggest there are also signs that a squeeze is looming in the LME's "flagship" copper contract for the fourth quarter of this year and early 1993.

The lead contract might be the next to be subjected to a squeeze, warned Mr Ted Arnold, metals specialist at Merrill Lynch, the financial services group, yesterday. He said: "We would warn hedgers about actually shorting lead (selling metal they do not own in the expectation of buying later at a lower price) in the coming weeks. This market could take off as zinc did."

Zinc for delivery in three months closed on the LME last night up $32 a tonne at $1,376.50 while zinc for immediate delivery ended $40 up at $1,362.50. Prices have risen by 9.5 per cent since July 16 when the LME removed limitations imposed to ease the impact of a squeeze in June.

Six to eight zinc producers accounting for about 1m tonnes of annual output and a big trader seem to be involved. Producers would prefer to keep the LME zinc price – which is a reference point for contracts signed all over the world – above their break-even level of $1,300 a tonne. To do this they have built up a big long position (bought metal today for future delivery) for delivery in October.

Those involved say they are not colluding but each came to a similar conclusion when the price languished last year at $1,000 a tonne. One of the participants explained to Reuter yesterday that they had built up long positions for delivery in June this year and, when the LME intervened, these were simply rolled over into October.

Some consumers complain they are being forced to pay artificially high prices for zinc at a time when LME stocks are at record levels.

However, Mr Nick Moore, analyst at Ord Minnett, pointed out, the zinc price was being underpinned by good demand.

Venezuelan oil capacity set to rise 16% by 1996

By Joe Mann in Caracas

VENEZUELA is aiming to increase its crude oil production capacity to 3.3m. barrels a day by 1996, compared with 2.83m b/d at the end of 1991, a rise of 16 per cent.

Mr Gustavo Roosen, president of the national oil corporation PDVSA, said in Caracas that the higher potential should be reached despite cuts in capital investment. It should enable PDVSA to more or less eliminate dependence on other suppliers for its US refining and marketing operations.

Mr Roosen also forecast "abundant crude production" worldwide next year predicting that international crude prices would "remain constant, or slightly lower, than in 1992 in real terms."

PDVSA is reducing its capital investments this year by US$530m, to $4.5bn.

To meet its substantial market commitment in the US the company, which has a large oil refining and marketing system there, currently has to buy an average of about 600,000 b/d of crude on the US market.

By steadily raising crude output capacity – and production – over the next few years, the company hopes to sharply reduce its dependence on crude purchases from other parties.

Venezuela's crude oil production has risen steadily in recent years.

Average Venezuelan Crude Oil Production (million b/d, including condensates and natural gas liquids)

1991	2.49
1990	2.25
1989	2.02
1988	2.01
1987	1.79

In 1991 average output of crude, condensates and natural gas liquids was 2.49m b/d, the highest level on record since the Venezuelan oil industry was nationalised in 1976. It compared with 2.25m b/d in 1990.

Crude production averaged about 2.39m b/d for the first quarter of 1992.

Hanson in dispute over Nevada gold deposit

By Bernard Simon in Toronto

Hanson, the Anglo-American conglomerate, has become embroiled in an escalating dispute with Placer Dome of Vancouver over ownership of the sizeable Pipeline gold deposit in north-east Nevada.

Placer this week filed the latest in a series of lawsuits between the two groups and other companies involved in exploration of the Pipeline property. Alleging that Hanson Natural Resources – a partnership which includes Hanson-controlled Gold Fields Mining – has interfered with its contractual rights, Placer has asked the court to declare that they have no claim against it.

The suit is a response to allegations by the Hanson group that Placer failed to disclose that it had made a major gold discovery when it took up an option in August 1991 to buy the Pipeline property from Gold Fields. Placer estimated last April that the deposit has gold-bearing reserves of 11.3m tonnes, with a grade of 0.237 ounces per tonne. The gold content is estimated at 2.7m ounces.

The dispute hinges partly on conversations between officials of the various companies, but also on the extent to which a mining company is entitled to keep its exploration data confidential.

The Pipeline deposit abuts the existing Cortez joint venture in Nevada, which is owned 60 per cent by Placer and 40 per cent by Kennecott. The disputed area, which is six miles north-west of the Cortez processing plant, is estimated to contain about 45 per cent of the total Pipeline reserves. The rest of the deposit is part of the Cortez operation.

A Placer official said that evaluation of the Pipeline deposit was proceeding "as if nothing had happened." A feasibility study is due to be completed early next year. But Mr Rich Cohen, mining analyst at Goepel Shields in Toronto, predicted yesterday that output, which had been forecast to begin within the next 2-3 years, could be delayed if the dispute drags on through the courts.

Mr Cohen estimated that Pipeline was worth between C$300 and C$500m to Placer, equal to about C$2 a share. Placer shares, which stood at C$13.63 on the Toronto stock exchange yesterday morning, dropped sharply when the Pipeline dispute first surfaced, and have continued to underperform the rest of the Canadian gold sector in recent weeks.

Coconut prices weather 'malicious propaganda'

Prices have risen sharply on the world market despite health attacks, writes William Keeling

EARLY THIS year Malaysia organised an 11-nation international coconut tree climbing contest in order, the organisers said, to promote the crop. The competition, won by Sri Lanka, was well-timed. Since mid-1991 world prices for most coconut products have risen over 50 per cent.

Coconut is a remarkably versatile crop: its flesh can be desiccated and creamed, or turned into copra for animal feed; coconut oil is used in shampoos, cosmetics, cooking oils and margarines; its shell makes high quality charcoal and can be transformed into activated carbon.

Officials at the headquarters of the Asian and Pacific Coconut Community in Jakarta, whose 14-member countries account for 82 per cent of world coconut production, describe the coconut tree in almost mystic terms as "the tree of life".

This stands in contrast to an allegation by soyabean producers in the US that tropical oils, which are high in saturated fat, raise human cholesterol levels and are a possible contributor to coronary heart disease.

Mr P.G. Punchihewa, executive director of the APCC, describes the charge as "entirely false" and "malicious propaganda". Indeed, the soyabean farmers' allegation arouses deep feeling in the coconut fraternity. It is "a lie of fantastic proportions," says Mr Chris Mudd, author of Cholesterol and Your Health - the Great American Rip Off*.

The issue of which oils – such as coconut, palm, soyabean and rapeseed – are best for your health is at the centre of a battle among producers for market share. Medical research is inconclusive and continuing studies on the health-effects of fatty acids may tip the balance back in the favour of tropical oils.

The rise in the world price of coconut products – coconut oil averaged $337 a tonne in 1990 and is currently hovering around the $560 mark – has come as a welcome relief to producers. The reason for the increase, however, is not a victory in the propaganda war, but a sharp fall in production in the Philippines, the world's leading coconut exporter.

In January it was estimated that 1992 Philippines production, measured in copra equivalent, at 1.98m tonnes but, because of an extended period of low rainfall which began last October, the figure has been revised to between 1.4m and 1.5m tonnes.

Weather problems have been exacerbated by the eruption of Mount Pinatubo and a recovery in production is not expected until 1994. It may take until the second half of the decade before output returns to the 1990 level of nearly 2.5m tonnes.

With the Philippines holding a quarter share of world copra exports and over 50 per cent of coconut oil exports, a rise in world prices has resulted. This has been good news for other producers, such as Indonesia, Papua New Guinea, the Solomon Islands and Vanuatu.

Indonesia, with an estimated 3m coconut farmers and production of 2.3m tonnes last year, has overtaken the Philippines as the largest producer but over 80 per cent of its production stays at home. Domestic prices shadow the world market and coconut oil in Java has risen from Rupiah 718 (35 US cents) a kilogram in June last year to about Rp1,175.

Indonesia's coconut production is expected to decline marginally this year to 2.25m tonnes, although rainfall has been better than forecast. The area under cultivation has risen sharply over the past 10 years from 2.5m hectares to about 3.3m hectares. Exports of coconut oil, however, have declined from a high of 206,647 tonnes in 1988 to an estimated 155,000 tonnes this year.

This has added to concerns that world demand for coconut products will outstrip supply in the medium-term.

The APCC estimates that Philippines copra meal exports for January-April amounted to 141,019 tonnes, down 35 per cent on the same period last year. Indonesia's were 38,162 tonnes for January and February, a 59 per cent year-on-year decline.

World copra meal stocks in April stood at 58,000 tonnes, compared with nearly 100,000 tonnes a year earlier. There has been a similar decline in coconut oil stocks held in Rotterdam, the main trading centre, to 61,175 tonnes in mid-May from 134,575 tonnes a year before.

The market for coconut oil has historically been volatile, collapsing from $1,155 per tonne in 1984 to $297 in 1986, and if production does pick-up, traders expect prices to fall quickly.

Mr Punchihewa expects stiff competition from soyabean, rapeseed and palm oils but notes that "there is an element where it [coconut oil] cannot be substituted" in end products. He says the industry will move toward value-added products such as fatty alcohols and glycerine, and there is substantial room for expansion simply by cutting down wastage. APCC officials estimate that only 40 per cent of Indonesia's coconut crop is processed and of the 50bn coconuts produced in the world each year, the shells and husks of half are simply thrown away.

Cholesterol and Your Health – the Great American Rip Off, by Mr Chris Mudd, published by American Lite Co., Oklahoma.

There has been a sharp fall in production in the Philippines, the world's leading coconut exporter

Roses of Ecuador bloom against the odds

Sarita Kendall on export growth in the face of Colombian predominance

ECUADOR HAS built up a small but profitable flower business in just 10 years, with annual exports now worth nearly $20m. However, production is also rising rapidly in other central and South American countries – especially Colombia – and flowers are flooding into the US market at a time when spending has been hit by recession.

"If Colombia goes on growing like this, it's very dangerous for the flower market – it will affect everyone, prices will be very low and there could be reactions from US flower producers," says Mr Mauricio Davalos, president of Ecuador's flower exporters' association.

Ecuador has about 400 hectares under flowers, less than one-tenth of area covered by Colombia's plantations. Most of the technology and much of the recent capital has been brought in by Colombians, who have found that growing conditions on the Equator just north of Quito are difficult to beat. Soil, sunshine and the great variety of microclimates make it possible to produce a big range of flower types.

Imported expertise from neighbouring Colombia has benefited the industry

Roses have been particularly successful in Ecuador, while cultivation of pompoms, carnations and gypsophilia is increasing. Ecuadorean labour is cheap. Most plantations lie within easy reach of Quito airport but transport costs from Quito to Miami are relatively high compared with the Bogota-Miami charges.

Investment in infrastructure is also unnecessarily high, according to Mr Davalos. "We have a terrible duplication of investment because the state services are so bad – we have to buy radios for communication and electricity generating plants, and there are water problems too," he says.

Another problem for Ecuadorean growers is the cost of importing many of the pesticides and fertilisers used in the industry.

The incoming government, which takes over on August 10, is expected to privatise some state services, including telephones. There will also be more support for exporters – under the present government devaluation has moved more slowly than inflation and high interest rates have made credit expensive. The number of companies exporting flowers has doubled in the last four years, but this reflects foreign rather than national investment.

About 80 per cent of Ecuador's flower exports go to the US, and another 7 per cent to Germany and Holland. But the freight costs to Europe are almost prohibitive, particularly now that several African countries with extremely cheap labour are competing in European flower markets and Colombia already has well-established links.

Despite a 35 per cent growth in flower income during the first quarter of 1992, Colombian producers have been hit by water and electricity rationing. This has curbed expansion in recent months, while anti-dumping measures taken by the US against Colombian carnation and chrysanthemum exporters have made them more cautious.

Such factors apart, one of Colombia's big advantages is its technical expertise in floriculture – a benefit that has spilled over into Ecuador as Colombian agronomists have moved in with Colombian investors.

WORLD COMMODITIES PRICES

MARKET REPORT

THE RALLY in COCOA prices that began on Tuesday morning continued yesterday and accelerated in late trading, pushing the September position on the London Futures and Options Exchange to £585 a tonne, up by £15 on the day and by £30 from Tuesday's low. Dealers said the late move enlivened an otherwise extremely dull day with the market appearing to have entered a period of comparative stability after the recent run-up and retracement. They said the quickening of the rise was partly because of the triggering of stop-loss buying orders set by operators who had speculated on the recent fall continuing. At the London Metal Exchange early gains were generally pared back, but all base metals finished with net gains on the day. Apart from zinc (see story above) the strongest LME contract was TIN, which ended $167.50 up in the cash position at $7,047.50 a tonne. Once again stop-loss orders were instrumental in the advance, which was later halted by profit-taking. Talk of delays to Chinese shipments were also supportive. Cash COPPER ended £18.50 up at £1,354 a tonne with the market underpinned by the continuing Polish mine strike.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.50-8.55	+0.20
Brent Blend (dated)	$20.25-0.35	+.275
Brent Blend (Sep)	$20.40-20.45	+0.25
W.T.I. (1 pm est)	$21.80-1.85y	+0.35

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$224-227	
Gas Oil	$183-185	+1
Heavy Fuel Oil	$85-87	+1
Naphtha	$197-198	-1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$359.25	+1.40
Silver (per troy oz)♣ §§	398.0c	+2.00
Platinum (per troy oz)	$377.25	-3.65
Palladium (per troy oz)	$87.50	-1.25
Copper (US Producer)	119.7c	+0.2
Lead (US Producer)	38.9c	
Tin (Kuala Lumpur market)	16.96r	+0.43
Tin (New York)	313.0c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	111.57	+2.43*
Sheep (live weight)†♣	78.64p	+3.37*
Pigs (live weight)†	65.02p	-3.42*
London daily sugar (raw)	$273.0w	+0.2
London daily sugar (white)	$297.0w	-2
Tate and Lyle export price	£252.50	-1
Barley (English feed)	£110.00w	
Maize (US No. 3 yellow)	£150.0	
Wheat (US Dark Northern)	Unq	
Rubber (Aug)♥	51.25p	
Rubber (Sep)♥	51.25p	
Rubber (KL RSS No 1 Jul)	221.0r	
Coconut oil (Philippines)§	$512.5t	-17.5
Palm Oil (Malaysian)§	$380.0y	
Copra (Philippines)§	$340.0	-5
Soyabeans (US)	£138.60	
Cotton "A" index	65.10c	-0.10
Wooltops (64s Super)	377p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Sep/Oct. w-Jul/Aug. y-Sep. z-Aug. †Meat Commission average fatstock prices. * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices. §§Correction for 15/7/92 394.0c

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	241.60	243.20	242.20 240.40
Oct	224.40	223.60	224.40 223.00
Dec	207.20	210.00	207.20 207.00
Mar	209.60	209.80	209.60 209.00
May	206.40	206.00	206.40
White	**Close**	**Previous**	**High/Low**
Oct	273.30	272.50	273.00 270.30
Dec	269.20	270.00	269.00 267.50
Mar	273.00	273.00	273.00 270.50
May	276.10	276.50	274.00
Aug	281.10	281.50	279.10 279.00
Oct	275.10	274.50	273.10

Turnover: Raw 852 (408) lots of 50 tonnes. White 512 (519) Paris- White (FFr per tonne): Oct 1376.20 Dec 1374.04

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Sep	20.44	20.21	20.45 20.25
Oct	20.39	20.16	20.40 20.27
Nov	20.32	20.14	20.32 20.20
Dec	20.22	20.08	20.24 20.18
Jan	20.11	19.93	20.13 20.11
Feb	20.00	19.80	20.02 19.95
Apr	19.70	19.64	19.70
May	19.60	19.55	19.60
IPE Index	20.28	20.11	20.28

Turnover 18738 (15584)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Aug	187.50	186.50	187.75 186.75
Sep	189.25	188.00	189.25 188.25
Oct	191.75	190.50	191.75 190.75
Nov	193.50	192.50	193.25 192.75
Dec	194.50	194.00	194.75 194.00
Jan	193.25	192.50	193.50 192.75
Feb	189.25	189.00	189.50 189.00
Mar	184.75	185.00	186.00 185.50
Apr	182.50	182.00	183.00 182.00

18300 Turnover 7997 (13428) lots of 100 tonnes

WOOL

Australian wool auctions are resumed next week. The market during the recess has been nominally static, but with dollar currencies weakening for most of the month, price ideas in most major consuming countries have eased. The Australian view is not by any means bearish, however, and some European traders consider that prices could possibly rise to begin with. Calculations further ahead are influenced by the four million bale stockpile, which has to be disposed of at some stage, by recession and by the inability of the old Soviet countries to buy.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	578	581	583 582
Sep	585	570	588 587
Dec	615	599	618 597
Mar	645	630	646 628
May	663	649	661 650
Jul	682	667	683 669
Sep	701	686	695 680
Mar	755	740	750 745

Turnover 2873 (3521) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Jul 22 732.36 (713.10) 10 day average for Jul 23 761.04 (762.71)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jul	758	770	758 758
Sep	773	781	785 770
Nov	783	787	794 780
Jan	800	800	803 795
Mar	815	815	815 811
May	830	830	825 825

Turnover 1958 (2036) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Jul 22: Comp. daily 49.99 (49.43) 15 day average 48.89 (48.67)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	71.2	70.9	71.5 70.8

Turnover 93 (89) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	122.50	-	122.50

Turnover 50 (0) lots of 20 tonnes

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Jul	1084	1070	1084 1076
Aug	1115	1100	1115 1100
Sep	1140	1125	1140
Oct	1227	1100	1207 1225
Jan	1245	1125	1245 1240
Apr	1275	1100	1275
Oct	1295	1125	1295
BFI	1063	1060	1063

Turnover 206 (54)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Sep	112.00	111.55	112.00 111.85
Nov	115.00	114.60	115.00 114.85
Jan	118.40	118.25	118.50 118.40
Mar	121.40	121.10	121.55 121.40
May	124.50	124.00	124.50 124.50
Jun	125.90	125.20	125.80 125.80
Barley	**Close**	**Previous**	**High/Low**
Sep	109.60	109.40	109.60
Nov	113.50	113.30	113.50
Jan	117.10	-	117.10
Mar	119.55	-	119.55 119.50

Turnover: Wheat 132 (310), Barley 57 (144). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	104.0	103.0	102.0

Turnover 2 (5) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 28,448 lots
Cash	1326.5-7.5	1318-9	1334/1333	1334-4.5		
3 months	1350.5-1.0	1342-3	1357/1341	1357-7.5	1347-8	171,869 lots
Copper, Grade A (£ per tonne)						Total daily turnover 23,802 lots
Cash	1353.5-4.5	1335-6	1350/1350	1350-0.5		
3 months	1372-2.5	1357-8	1374/1369	1370-0.5	1366-7	137,339 lots
Lead (£ per tonne)						Total daily turnover 7,885 lots
Cash	348-9	333.5-4.5		345-6		
3 months	358-9	345-5.5	362/351	345.5-6.0	357-8	26,794 lots
Nickel ($ per tonne)						Total daily turnover 3,159 lots
Cash	7520-30	7490-500		7520-30		
3 months	7580-5	7560-5	7605/7575	7605-10	7585-95	25,180 lots
Tin ($ per tonne)						Total daily turnover 2,943 lots
Cash	7045-50	6875-85		7070-80		
3 months	7075-80	6915-25	7140/7000	7080-100	7070-5	11,826 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 16,926 lots
Cash	1362-3	1322-3	1360/1359	1360-1		
3 months	1376-7	1344-5	1379/1354	1374-5	1366-7	71,932 lots

LME Closing £/$ rate: SPOT: 1.9035 3 months: 1.8722 6 months: 1.8425 9 months: 1.8148

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	359.10-359.40	
Opening	357.20-357.50	
Morning fix	357.10	187.503
Afternoon fix	358.75	188.004
Day's high	359.50-359.90	
Day's low	357.00-357.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.89	6 months	2.88
2 months	2.89	12 months	2.95
3 months	2.88		

Silver fix	p/troy oz	US cts equiv
Spot	209.15	398.00
3 months	213.20	399.45
6 months	218.50	402.75
12 months	229.35	411.40

GOLD COINS

	$ price	£ equivalent
Krugerrand	356.50-358.50	186.00-187.00
Maple leaf	369.75-372.10	-
New Sovereign	86.00-87.50	44.00-46.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1300	50	82	12	23
1350	22	52	33	42
1400	7	30	68	70
Copper (Grade A)	**Calls**		**Puts**	
2550	59	77	40	85
2600	35	56	66	114
2650	20	40	100	146
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
700	76	3	95	12
750	38	15	61	28
800	15	42	36	53
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
600	11	26	43	28
625	5	45	31	41
650	2	67	23	58
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
2000	54	72	22	41
2050	32	47	46	64
2100	17	28		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	356.9	357.6	0	0
Aug	359.3	358.1	360.7	357.9
Sep	360.1	358.9	0	0
Oct	361.1	359.9	362.6	359.7
Dec	363.0	361.9	364.5	361.6
Feb	364.9	363.8	366.0	363.7
Apr	366.7	365.7	367.0	365.4
Jun	368.6	367.7	370.0	369.0
Aug	370.7	369.8	369.6	369.8

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	381.3	378.0	385.5	385.5
Oct	381.8	376.5	383.0	376.5
Jan	379.8	373.5	381.0	376.0
Apr	379.8	373.4	381.0	375.0
Jul	380.3	373.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	396.9	393.7	395.5	396.5
Aug	397.7	394.5	0	0
Sep	398.7	395.5	400.5	396.0
Dec	402.9	399.6	404.5	400.0
Jan	404.3	401.1	0	0
Mar	407.2	404.0	408.5	405.0
May	410.2	406.9	407.5	407.5
Jul	413.2	409.8	415.0	412.5
Sep	416.2	412.7	0	0
Dec	421.1	417.8	423.0	423.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	115.00	115.35	116.20	115.00
Aug	115.05	115.40	116.05	115.00
Sep	115.15	115.50	116.40	115.10
Oct	114.70	115.00	0	0
Nov	114.50	114.75	0	0
Dec	114.30	114.55	115.50	114.20
Jan	113.75	114.00	114.65	114.60
Feb	113.25	113.60	114.00	114.00
Mar	112.70	112.95	113.70	113.20
Apr	112.00	112.35	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Sep	21.84	21.55	21.87	21.86
Oct	21.72	21.44	21.74	21.54
Nov	21.61	21.37	21.61	21.45
Dec	21.50	21.29	21.50	21.33
Jan	21.37	21.19	21.39	21.24
Feb	21.24	21.09	21.24	21.12
Mar	21.10	20.98	21.08	21.02
Apr	20.97	20.87	20.97	20.91
May	20.86	20.77	20.87	20.78

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Aug	6093	5987	6105	6040
Sep	6167	6063	6180	6125
Oct	6262	6178	6270	6220
Nov	6347	6268	6351	6320
Dec	6418	6348	6425	6390
Jan	6435	6373	6445	6420
Feb	6330	6278	6355	6315
Mar	6090	6048	6120	6105
Apr	5865	5828	5900	5900
May	5700	5663	5730	5730

COCOA 10 tonnes; $/tonnes

	Close	Previous	High/Low	
Sep	987	934	995	937
Dec	1044	991	1051	996
Mar	1095	1039	1098	1049
May	1124	1068	1096	1075
Jul	1150	1095	1135	1122
Sep	1180	1125	0	0
Dec	1213	1161	0	0
Mar	1262	1210	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	61.35	61.80	61.80	60.80
Dec	63.50	63.80	63.80	62.90
Mar	66.00	65.80	66.10	65.30
May	70.00	69.65	69.75	69.50
Jul	71.95	71.00	71.50	71.50
Sep	73.90	72.75	73.90	73.90
Dec	77.00	76.50	77.00	77.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	10.02	9.97	10.13	9.85
Mar	9.61	9.57	9.70	9.50
May	9.55	9.49	9.63	9.44
Jul	9.50	9.44	9.53	9.37
Oct	9.36	9.32	9.42	9.35

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	63.48	62.82	63.50	62.90
Dec	62.18	61.70	62.20	61.83
Mar	63.27	62.87	63.28	62.93
May	64.08	63.67	63.90	63.75
Jul	64.43	64.06	64.20	64.20
Oct	63.36	63.35	0	0
Dec	63.32	63.31	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	117.65	116.65	117.75	116.80
Nov	113.60	112.50	113.50	112.90
Jan	112.70	112.20	113.05	112.40
Mar	112.95	112.50	113.25	112.60
May	112.95	112.80	0	0
Jul	112.65	112.55	114.00	114.00
Sep	112.65	112.55	0	0
Nov	112.65	112.55	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul.22	Jul 21	mnth ago	yr ago
1566.8	1559.8	1566.4	1697.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul.21	Jul 20	mnth ago	yr ago
Spot	118.20	118.04	-	123.52
Futures	119.08	118.97	-	123.47

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	558/2	556/0	559/0	556/0
Aug	558/2	558/2	560/0	557/0
Sep	559/0	559/4	561/4	557/6
Nov	563/0	563/6	565/4	561/4
Jan	570/6	571/4	573/0	569/2
Mar	579/2	580/2	581/4	578/0
May	586/2	586/6	588/0	585/0
Jul	590/2	591/0	592/2	589/0
Nov	583/4	582/0	585/0	582/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	19.02	18.96	19.07	18.95
Aug	19.09	19.00	19.19	18.98
Sep	19.22	19.19	19.33	19.16
Oct	19.38	19.36	19.48	19.32
Dec	19.72	19.66	19.79	19.62
Jan	19.85	19.79	19.90	19.80
Mar	20.15	20.06	20.20	20.07
May	20.40	20.33	20.45	20.35

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	172.8	173.5	173.7	172.5
Aug	173.3	174.0	174.2	173.1
Sep	173.9	174.8	174.9	173.7
Oct	191.4	193.1	193.2	191.2
Dec	191.1	192.4	192.4	190.2
Jan	190.7	191.7	192.0	190.1
Mar	189.9	190.6	190.6	189.0
May	189.2	189.3	189.8	188.3

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	222/6	227/0	227/4	221/0
Sep	225/6	227/0	227/4	225/4
Dec	230/0	230/6	231/2	229/4
Mar	238/4	239/0	239/4	238/0
May	243/6	244/2	244/4	243/6
Jul	248/0	248/4	248/6	247/4
Sep	246/6	247/4	248/2	246/6
Dec	246/2	247/4	247/4	246/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	333/0	344/0	345/0	333/0
Sep	340/6	342/2	343/4	338/4
Dec	350/6	351/0	352/4	348/2
Mar	353/4	353/0	354/2	351/4
May	344/2	344/0	345/0	342/6
Jul	326/2	325/6	326/4	324/2

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	73.075	72.925	73.150	72.675
Oct	72.750	72.875	72.900	72.550
Dec	71.200	70.975	71.300	70.800
Feb	70.575	70.325	70.650	70.225
Apr	71.725	71.500	71.775	71.300
Jun	68.950	68.900	69.100	68.925
Aug	67.800	67.800	68.250	67.700

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	45.975	45.450	46.000	44.800
Aug	43.750	43.250	43.800	43.050
Oct	38.750	38.650	39.075	38.500
Dec	40.100	39.875	40.200	39.800
Feb	41.100	40.600	41.250	40.550
Apr	39.825	39.550	39.900	39.450
Jun	45.350	45.250	45.350	45.000
Aug	43.500	43.500	0	43.400

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	31.800	31.550	31.900	30.125
Aug	28.850	28.275	28.900	27.475
Feb	38.050	37.850	38.200	36.750
Mar	38.125	37.350	38.150	36.300
May	38.050	38.350	38.050	37.600
Jul	38.200	38.250	38.400	38.000
Aug	37.250	0	37.750	36.600

حكومة مصر

LONDON STOCK EXCHANGE

FT-SE Index collapses through 2,400

By Terry Byland, UK Stock Market Editor

UNSETTLING reports on the domestic economy left the London stock market vulnerable yesterday to the widespread setback across European bourses which followed Tokyo's fall to a six-year low. Although selling pressure remained moderate, the UK market collapsed through the FT-SE 2,400 mark, finishing 27.7 down at 2,387.9, its lowest closing level since April 3, when the stock market was gearing itself for the UK general election.

Equities opened weaker, and soon moved lower following a poor start by the September futures contract on the Footsie. In addition to the bad news from Tokyo, shares had to face continued softness in sterling. Throughout the session, the Footsie September future provided a depressing lead, slipping to 2,384 at one stage and failing to hold a rally in later dealings.

Worries about the UK housing market deepened after the building societies disclosed a heavy annualised fall in mortgage commitments. The reaction on the German stock market to the latest domestic money supply data revived fears that the key Lombard rate might be raised, forcing UK rates to follow suit.

At mid-morning, statistics showing a 0.2 per cent dip in UK retail sales and a current account deficit on trade of £722m in June were taken as indications that the economy remains depressed. Unsubstantiated reports that the UK government was about to announce swingeing cuts in public spending completed the mood of gloom.

At the day's low, just after the trade figures announcement, the Footsie sank to 2,376.8, down 38.8. There were substantial losses in shares across the range of the market, with many building and construction stocks suffering afresh.

There was little support behind the closing rally in share prices, which most traders believed reflected little more than bear-closing operations by traders wanting stock to meet earlier selling commitments. The argument that UK stocks offer good value was repeated, albeit desparingly, by equity strategists.

However, some comfort was drawn from the modest level of turnover; Seaq volume of 428.1m shares compared with Tuesday's 421.5m, which was worth only £864.1m in terms of customer business. Traders also pointed out that London's fall of 1.1 per cent was only about a half of the losses suffered yesterday on the French and German equity markets.

Suggestions that the UK government might be about to introduce heavy reductions in public spending found a ready reception in a market where fund managers are said to be depressed by "a feeling of helplessness, as if the government cannot do anything about this recession".

There were very few exceptions to the general gloom. British Airways lost the gain of the previous day as the stock market reassessed the implications of the deal with USAir. ICI, with trading figures due shortly, gave ground again, and Reuters weakened sharply as Wall Street opened the new session with a 26 Dow points fall in early trading.

Account Dealing Dates			
First Dealings:	Jul 13	Jul 27	Aug 10
Option Declarations:	Jul 23	Aug 6	Aug 20
Last Dealings:	Jul 24	Aug 7	Aug 21
Account Day:	Aug 3	Aug 17	Sep 1

*New time dealings may take place from 8.00 am two business days earlier.

Heavy fall in Ladbroke

PROPERTY and leisure group Ladbroke plunged in very heavy turnover as a combination of technical factors and renewed trading worries hit the stock. The shares continued to tumble in after-hours' trading as rumours circulated that the group would be issuing a statement today. A spokesman for Ladbroke dismissed the story as "rubbish".

Early trading was dominated by two large lines of stock which had difficulty finding a home. Later, talk again focused on Ladbroke's exposure to the wilting US property market and the flat UK consumer market, where its leisure and DIY interests are suffering badly.

The shares closed 17 off at 158p – their lowest since January 1988 – in turnover exceeding 7m. Traders were marking the shares down by as much as a further 15p in after-hours' trade as nervousness grew that a gloomy statement may be forthcoming.

Lasmo steadier

Further good news on the exploration front staunched the latest flow of selling in Lasmo, the oil exploration and production group. Lasmo shares have been hit by a succession of bearish stories since the company's takeover of Ultramar.

The group said yesterday that an exploration well in Morecambe Bay, off the coast of England, had produced an oil flow of 1,370 barrels a day, as well as gas from a separate zone. Lasmo has a 30 per cent stake in the block containing the oil and gas discovery. Monument Oil & Gas has a 20 per cent holding.

The oil and gas find is the second piece of encouraging drilling news for Lasmo this week. On Monday, the group's Indonesian gas reserves were sharply increased following an independent evaluation. Lasmo is due to announce interim figures next Wednesday. The stock settled 1½ off at 125p, having fallen to 123p earlier in the day. Monument managed a minor gain at 32¼p.

Carlton wanted

An improved recommendation from the company's broker was said to be behind the rise in new Footsie constituent Carlton Communications. The stock was the day's strongest among the FT-SE 100 components, appreciating 11 to 585p.

Cazenove, which never comments on market speculation, was believed to have put Carlton on its buy list, focusing on news that the group's Technicolor unit had retained a film processing contract from Sony's Columbia Tri-Star. However, some analysts said fears of Carlton losing the contract had actually faded a few months ago.

Varied attitudes among London share analysts following Tuesday's interim report from Reuters left the stock sharply lower. After some erratic trading, the bear view prevailed and the shares closed a further 35 down at 1090p.

Agency broker James Capel reinforced its sell advice and argued that Reuters' cash mountain of £600m did not fit well with its high price/earnings ratio. BZW said: "The company is now right at the top end of UK growth stock ratings," adding that Reuters needs to approach 1025p before becoming attractive.

However, broker Hoare Govett points out that the company is some 35 per cent held in the US, where its p/e relative is not nearly so demanding. Hoare is maintaining its buy stance and is considering raising its full-year profits forecast to £380m.

Mirror Group Newspapers continued to rise against the market, with most traders believing a stakebuilder was at work. The shares firmed 1¾ to 65¼p on another heavy turnover of 6.1m.

Marketmakers are convinced that one buyer has been constantly picking up the shares with a view to a bid or, alternatively, a belief that the stock offers very good value. Most analysts say institutional investors acknowledge the value in MGN but are staying well clear because of the Maxwell aura still surrounding the company.

The property sector picked itself up from its recent drubbing as bargain hunters were spotted. British Land, helped by a County NatWest note on superstore investments, put on 2 to 186p. Greycoat's good run continued as James Capel was reported to be positive ahead of today's figures, for which there is hope that the dividend will be held.

Hammerson, missing from most broker's recent recommendations, at last found some support, the "A" shares bouncing 8 to 260p. MEPC gained 7 to 267p, Land Securities 4 to 387p and Slough Estates 5 to 127p. Southend Properties jumped 6 to 42p on well-received results.

SmithKline Beecham units were a penny firmer at 413p as one US house upgraded the company to a strong buy. The "A" shares eased 3 to 454p.

After several days of selling pressure, Thorn EMI bounced initially with the help of a supportive note from Hoare Govett, the securities house, arguing that the group was now at the bottom of its relative range.

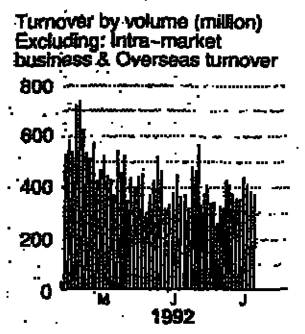
News that the loss-making security division may be off-loaded, and a trade press feature claiming that the Office of Fair Trading would not be investigating compact disc prices, also helped sentiment.

The OFT rejected the press comments, stressing that no decision had yet been taken on whether to launch an inquiry. The shares were finally 2 easier on balance at 743p.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Unigate slipped 9 to 277p after chairman Sir Brian Kellett told the annual meeting that "we must expect the present difficult trading conditions to continue for the time being".

Regional brewer Morland reversed an initial gain to finish a net 2 off at 461p, ahead of tomorrow's closing day for the bid from Greene King, 6 cheaper at 514p.

Enterprise Oil rallied well, adding 6½ at 325½p, with dealers arguing that the recent steep fall in the shares had been overdone. The stock was also helped by a bullish note on the exploration and production (E & P) sub-sector issued by Hoare Govett.

The combination of a large seller and the effects of an overhang of stock on dealers' books caused Siebe to drop 24 to 639p.

Weakness in the construction sector was only one of the factors that undermined Trafalgar House. The shares gave up 5¼ to 67½p as dealers also focused on fears about the dividend and uncertainty over the Hong Kong Airport project, for which Trafalgar is a major contractor. Poor sentiment in the construction sector left P & O 14 lighter at 344p.

MARKET REPORTERS: Joel Kibazo, Colin Millham, Christopher Price, Peter John, Steve Thompson.

■ Other market statistics, Page 18

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (5).
CONTG & CONSTRCN (1) Rubicon. ELECTRICALS (1) Menvier-Swain. ELECTRONICS (1) Acorn Computer. MEDIA (2) Flextech, TVS Entertainment.
NEW LOWS (252).
BRITISH FUNDS (1) Tr 4⅛pc IL '30. BREWERS (3) Grand Met, Highland Distilleries, Wolv & Dudley. BLDG MATLS (14) Baggeridge Brick, Blockleys, Blue Circle, Cape, Evered Bardon, Hepworth, Heywood Williams, Do Cv Pf, Marshalls, Meyer, Quiligotti, RMC, Tarmac, Wolseley. BUSINESS SERVS (3) BNB, Corporate Servs, Proudfoot (A). CHEMS (5) Allied Colloids, Courtaulds, Hartens, ICI, Leigh Intre. CONGLOMERATES (4) Grampian, MB Caradon, Trafalgar Hse, Do A. CONTG & CONSTRCN (11) AMEC, Do 6½pc Cv Pf, Costain, Gleeson (MJ), Higgs & Hill, Lon & Clydeside, McAlpine (A), Mowlem (J), Persimmon, Prowting, Smart (J). ELECTRICALS (5) BICC, Beales Hunter, Bennett & Fountain, Dowding & Mills, Emess. ELECTRONICS (4) Cranbrook, Logica, Molynx, P-E Intl. ENG AERO (1) FR. ENG GEN (9) Bridport-Gundry, Hopkinsons, Meggitt, Record, Silverrmines, Simon, Wellman, Wheway, Wilkes (J). FOOD MANUF (4) Booker, Borthwicks, RHM, Utd Biscuits. FOOD RETAILING (1) Albert Fisher. HEALTH & HSEHOLD (4) London Intl, Seton Healthcare, Wellcome, Whatman. HOTELS & LEIS (16) Air Break, Brent Walker, Chrysalis, Compass, Euro Disney, Forte, Friendly, Ladbroke, Magnolia, Manchester Utd, Quadrant, Queens Moat Hse, Do 7pc Pf, Do 7½pc Pf, Rank Orgnstn, Surrey. INSCE BROKERS (6) Bradstock, Heath (CE), Hogg, JIB, Lloyd Thompson, PWS, Steel Burrill Jones, Sturge. INSCE COMPOSITE (2) General Accident, Trade Indemnity. INV TRUSTS (55) MEDIA (3) HTV, More O'Ferrall, Saatchi. MERCHANT BANKS (2) Close Bros, Rea Bros. MTL & MTL FORMING (5) ASW, Apollo Metals, Cook (Wm), Lee (A), Utd Industries. MISC (2) Bimec, UDO. MOTORS (3) Jacks (Wm), Perry, Vardy (Reg). OIL & GAS (6) Clyde, Enterprise, Goal, Hardy, Midland & Scott, New London. OTHER FINCL (3) Henderson Admn, Ivory & Sime, King & Shaxon. OTHER INDL MATLS (6) Brown & Tawse, Expamet, Kelsey, McKechnie, Watts Blake, Whitecroft. PACKG, PAPER & PRINTG (2) Dolphin Packg, Hunterprint. PROP (19) STORES (16) Ashley (L), Asprey, Austin Reed N/V, Fired Earth Tiles, Hughes (TJ), Kingfisher, Lloyds Chemts, Do 7½pc Pf, Sears, Smith (WH). TEXTS (2) Atkins, Coats Viyella, Pepe. TRANSPORT (6) Davies & Newman, Eurotunnel Units, Norex, P & O, Tiphook, Transport Devlpt. SOUTH AFRICANS (1) Tongaat-Hulett. MINES (1) Do Secent Lnk Units

FINANCIAL TIMES STOCK INDICES

	July 22	July 21	July 20	July 17	July 16	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.21	89.19	88.96	89.33	89.58	84.70	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.74	105.69	105.69	106.14	106.24	94.40	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share●	1803.0	1831.0	1824.1	1852.1	1890.8	1999.6	2149.7 (22/5)	1803.0 (22/7)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	93.3	96.7	95.8	94.0	92.5	198.6	160.6 (10/1)	83.6 (8/7)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2387.9	2415.6	2403.7	2431.9	2483.4	2580.5	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1095.41	1109.52	1109.13	1131.06	1151.06	1171.12	1248.79 (11/5)	1095.41 (22/7)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div Yield	5.11	5.04	5.05	4.98	4.89	4.74				
●Earning Yld %(full)	7.40	7.26	7.27	7.17	7.04	8.33				
●P/E Ratio(Net)(*)	17.02	17.35	17.32	17.57	17.90	14.76				
SEAQ Bargns 5.00pm	18,612	20,485	23,153	20,480	19,491	32,313				
Equity Turnover(£m)†	-	864.1	950.0	903.9	1063.2	1036.3				
Equity Bargains†	-	22,239	24,683	22,646	22,418	33,581				
Shares Traded (ml)†	-	378.4	387.3	413.8	445.9	433.4				

Basis 100 Govt. Secs. 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ☆ Nil 15.84

Ordinary Share Index, Hourly changes — Day's High 1823.8 — Day's Low 1796.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1823.8	1814.8	1807.0	1808.8	1799.2	1799.1	1801.0	1800.4	1804.1

FT-SE 100, Hourly changes — Day's High 2407.5 — Day's Low 2376.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2407.5	2397.7	2390.3	2392.3	2378.8	2379.6	2381.4	2382.7	2389.1

FT-SE Eurotrack 200, Hourly changes — Day's High 1099.37 — Day's Low 1091.17

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1097.58	1098.79	1097.40	1092.52	1092.79	1092.77	1093.84

GILT EDGED ACTIVITY

Indices*	July 21	July 20
Gilt Edged Bargains	87.5	88.6
5 – Day average	91.9	92.2

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	8	458	-	Comm Union	1,000	422	-13	Lonrho	1,200	77	-3	Shell Transport	3,600	471	-3
ASDA Group	5,300	28½	-½	Cookson	221	133	-3	Lucas	222	108	-1	Siebe	1,000	639	-24
Abbey National	747	361	-5	Courtaulds	1,100	463	-2	MB Caradon	1,600	218	-2	Slough Ests	994	127	+5
Albert Fisher	1,100	36½		Dalgety	295	395		MEPC	363	267	+7	Smith (W.H.) A	930	381	-7
Allied-Lyons	1,100	609	-2	De La Rue	50	555	+2	Manweb	336	354		Smith & Nephew	480	141½	-1
Amstrad	967	30	-2	Dixons	1,800	197	+2	Marks & Spencer	2,000	303		SmKl Beecham	5,400	454	-3
Anglian Water	1,800	399	-5	Eastern Elect	1,700	283	-3	Midlands Elect	602	312	-3	SmKl Beecham Uts	595	413	+1
Argos	423	278	-1	East Midland Elect	829	296	+5	NFC	627	232	-6	Smiths Inds	65	265	-1
Argyll Group	1,900	347	-6	Eng China Clays	512	454	-8	NatWest Bank	2,800	309	-8	Southern Elect	1,400	304	-1
Arjo Wiggins	1,100	213	-1	Enterprise Oil	926	325½	+6½	National Power	1,500	249	+3	South Wales Elect	460	354	+1
Ass. Brit. Foods	93	402		Eurotunnel Units	3,200	305	-13	Next	1,700	89½	+2½	South West Water	64	411	-4
Ass. Brit. Ports	353	792	-7	FKI	[illegible]	75½	+½	North West Water	849	425	-1	South West. Elect	447	305	+1
[illegible]															
Brit. Aerospace	1,500	209	-9	IMI	66	236	-4	Rolls Royce	3,100	146		Utd Newspapers	166	376	-2
British Airways	6,300	256½	-12½	ICI	307	1117	-15	Rothmans	90	1054	-20	Vodafone	2,000	307	-8
British Gas	1,900	243	-2½	Inchcape	935	419	-11	Ryl Bk Scotland	1,600	175	-2	Warburg (SG)	37	467	
British Land	337	185	+2	Kingfisher	622	475	-5	Royal Insurance	2,500	183	-7	Wellcome	558	839	-4
British Steel	5,600	56	-½	Kwik Save	67	636	-17	Saatchi	452	119	-2	Welsh Water	134	440	-8
Bunzl	264	85	-2	Ladbroke	7,100	158	-17	Sainsbury	3,900	437	-5	Wessex Water	400	491	+1
Burmah Castrol	885	597	-6	Land Securities	487	387	+4	Scottish & New	848	434	-8	Whitbread 'A'	706	382	-7
Burton	2,200	36½	-1½	Laporte	1,400	546	-13	Scot Hydro-Elect	1,000	200	-1	Williams Hldgs	429	257	+1
Cable & Wire	1,800	523	-8	Legal & General	384	330	-8	Scottish Power	3,700	185	-1	Willis Corroon	622	204	+3
Cadbury Schweppes	1,200	466	-9	Lloyds Abbey	604	355	-5	Sears	1,800	74	-2	Wimpey	312	114	-3
Calor Group	574	177	-5	Lloyds Bank	1,600	408	-9	Sedgwick	732	161	-6	Wolseley	331	318	-11
Carlton Comms.	1,100	585	+11	LASMO	2,000	125	-1½	Seeboard	226	313	-1	Yorkshire Elect	649	346	-6
Coats Viyella	1,100	168	-8	London Elect	250	302	+2	Severn Trent Water	510	389	-5	Yorkshire Water	154	452	-2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

DISAPPOINTING monthly data on UK retail and trade figures, together with falls in other European markets, prompted a further fall in stock index futures, writes Joel Kibazo.

The September contract on the FT-SE opened firmly at 2,403 but selling by independent traders in the first few minutes sent it falling to 2,394. Attempts at a rally soon petered out, however, as dealers focused instead on the falls in other European markets which followed talk that the Bundesbank may soon be forced to raise its Lombard rate. Sentiment was further weakened by the release of the UK trade and retail figures, after which the September contract dipped to the day's low of 2,384.

After a period of sideways trading, bargain hunting helped the Footsie future contract regain some of its earlier fall. The contract closed at 2,401, down 23 from the previous session and around 5 points above its estimated fair value premium to cash of about 18. Turnover reached 8,637. Dealers reported a further recovery in the contract in after-hours' trading.

The expiry of the July stock options provided the main feature in the traded options market, where turnover totalled 36,381 lots. Some 10,358 contracts were transacted in the FT-SE 100 option.

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Jul 22 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Jul 21 Index No.	Mon Jul 20 Index No.	Fri Jul 17 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (176)	741.70	-0.9	7.96	6.06	16.05	20.19	748.76	748.42	762.65	831.59
2	Building Materials (22)	780.44	-1.7	6.95	7.18	19.55	25.58	793.62	796.27	806.22	1070.44
3	Contracting, Construction (28)	670.61	-1.8	5.19	8.91	42.33	25.20	682.80	681.35	701.59	1160.65
4	Electricals (9)	2252.59	-0.8	7.68	6.72	16.87	68.82	2271.62	2291.89	2357.34	2448.66
5	Electronics (28)	1882.78	-0.5	8.57	4.63	14.54	44.82	1892.92	1876.62	1871.74	1679.64
6	Engineering-Aerospace (6)	308.45	-1.1	11.81	8.45	10.71	11.27	311.91	312.44	325.19	417.66
7	Engineering-General (43)	462.76	-1.5	8.90	5.20	13.91	11.44	469.92	468.00	478.74	450.95
8	Metals and Metal Forming (7)	288.41	-1.1	5.80	7.64	25.26	6.92	291.60	296.82	294.43	441.77
9	Motors (14)	319.46	-1.6	8.31	7.36	15.83	10.04	324.52	324.73	333.96	327.67
10	Other Industrial Materials (19)	1590.55	-0.2	7.80	5.22	15.44	36.53	1594.33	1594.08	1637.14	1598.87
21	CONSUMER GROUP (189)	1530.26	-1.2	8.00	3.76	15.34	24.61	1548.49	1540.22	1556.57	1515.85
22	Brewers and Distillers (24)	1967.43	-1.4	8.41	3.72	14.35	29.60	1995.79	1997.05	2029.17	1840.99
25	Food Manufacturing (19)	1183.98	-1.4	9.11	4.46	13.57	26.01	1200.95	1198.14	1222.18	1203.99
26	Food Retailing (18)	2683.19	-1.3	9.10	3.40	14.33	44.70	2717.33	2718.70	2756.30	2690.89
27	Health and Household (24)	3791.14	-0.7	7.34	2.82	15.50	37.92	3818.11	3736.44	3724.67	3654.53
29	Hotels and Leisure (18)	1070.61	-2.9	7.50	6.39	17.33	23.64	1103.05	1110.42	1138.56	1267.82
30	Media (27)	1479.07	-1.2	6.98	3.60	17.77	27.19	1496.42	1497.54	1496.77	1436.61
31	Packaging, Paper & Printing (17)	724.95	-0.7	7.11	4.56	17.04	14.76	729.86	735.76	750.63	743.08
34	Stores (33)	956.83	-0.7	7.88	3.89	16.77	16.96	963.91	960.12	973.11	970.59
35	Textiles (9)	611.02	-2.1	7.68	5.07	16.38	14.72	624.21	624.52	640.08	569.02
40	OTHER GROUPS (118)	1203.20	-1.2	10.35	5.48	12.06	25.61	1217.26	1213.65	1234.08	1256.43
41	Business Services (17)	1246.73	-3.3	6.74	4.13	18.11	20.78	1289.10	1278.50	1323.90	1314.39
42	Chemicals (22)	1335.64	-1.2	7.89	5.44	15.52	33.10	1352.07	1355.63	1379.94	1407.66
43	Conglomerates (11)	1186.68	-1.0	10.50	7.94	11.95	23.62	1198.13	1175.30	1203.22	1486.03
44	Transport (14)	2227.94	-2.8	8.86	5.30	13.92	54.40	2291.92	2261.03	2333.30	2212.33
45	Electricity (16)	1335.76	+0.3	14.78	5.49	8.57	38.33	1332.25	1340.56	1350.26	1229.64
46	Telephone Networks (4)	1365.92	-1.1	11.40	4.84	11.44	21.77	1381.00	1379.38	1399.45	1488.86
47	Water (11)	2776.88	-0.7	16.16	6.23	6.85	86.85	2797.16	2816.17	2828.52	2491.30
48	Miscellaneous (23)	1955.98	-0.9	5.75	5.04	22.89	29.19	1974.57	1966.34	1991.31	1988.93
49	INDUSTRIAL GROUP (483)	1228.90	-1.1	8.75	4.72	14.21	24.22	1242.94	1238.31	1255.78	1266.38
51	Oil & Gas (17)	1848.57	-0.7	8.19	7.70	16.05	63.73	1861.06	1859.75	1849.50	2491.64
59	500 SHARE INDEX (500)	1289.13	-1.1	8.69	5.01	14.37	27.32	1303.26	1298.80	1314.59	1369.97
61	FINANCIAL GROUP (85)	681.56	-1.6	-	6.62	-	20.06	692.43	687.57	700.84	798.69
62	Banks (9)	910.76	-1.7	7.24	6.01	19.60	24.58	926.87	916.63	930.75	916.52
65	Insurance (Life) (6)	1389.85	-1.6	-	6.41	-	44.26	1411.89	1420.70	1447.62	1508.03
66	Insurance (Composite) (7)	431.85	-3.7	-	8.06	-	13.46	448.25	445.18	461.25	650.32
67	Insurance (Brokers) (10)	742.44	-2.0	10.44	8.75	12.60	30.14	757.94	753.87	768.71	1161.50
68	Merchant Banks (7)	437.34	-0.2	-	4.94	-	11.25	438.32	437.63	446.49	425.77
69	Property (31)	577.78	+1.1	10.08	7.92	13.43	19.44	571.33	565.38	577.72	927.14
70	Other Financial (15)	233.72	-0.7	7.76	7.50	17.43	6.63	235.38	237.18	240.09	248.56
71	Investment Trusts (70)	1093.73	-1.7	-	4.10	-	19.26	1112.70	1109.71	1132.68	1225.65
99	ALL-SHARE INDEX (655)	1143.78	-1.2	-	5.19	-	25.23	1157.21	1152.75	1168.05	1232.11

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 21	Jul 20	Jul 17	Jul 16	Jul 15	Year ago
FT-SE 100 SHARE INDEX♦	2387.9	-27.7	2407.5	2376.8	2415.6	2403.7	2431.9	2483.4	2486.4	2580.5

FIXED INTEREST

	PRICE INDICES	Wed Jul 22	Day's change %	Tue Jul 21	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (24)	121.31	+0.05	121.25	1.30	7.77
2	5-15 years (24)	138.74	+0.06	138.65	2.18	7.72
3	Over 15 years (11)	150.43	+0.12	150.25	1.50	7.35
4	Irredeemables (6)	169.03	+0.02	168.99	2.09	7.34
5	All stocks (65)	135.81	+0.06	135.73	1.82	7.85
	Index-Linked					
6	Up to 5 years (2)	172.67	-0.16	172.94	1.16	1.83
7	Over 5 years (10)	149.45	-0.51	150.21	0.40	3.09
8	All stocks (12)	151.46	-0.45	152.15	0.49	2.90
9	Debs & Loans (62)	121.58	+0.13	121.41	2.75	6.21

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jul 22	Tue Jul 21	Year ago (approx.)
	British Government				
1	Low	5 years	8.33	8.35	9.04
2	Coupons	15 years	8.75	8.75	9.91
3	(0%-7¾%)	20 years	8.75	8.75	9.91
4	Medium	5 years	9.24	9.24	10.27
5	Coupons	15 years	8.95	8.97	10.11
6	(8%-10¾%)	20 years	8.90	8.92	10.05
7	High	5 years	9.48	9.48	10.44
8	Coupons	15 years	9.12	9.13	10.24
9	(11%-)	20 years	9.04	9.05	10.14
10	Irredeemables	†	9.03	9.03	10.11
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.21	4.16	4.41
12	Inflation rate 5%	Over 5 yrs.	4.49	4.45	4.37
13	Inflation rate 10%	Up to 5 yrs.	3.44	3.38	3.44
14	Inflation rate 10%	Over 5 yrs.	4.30	4.26	4.17
15	Debs &	5 years	10.54	10.53	11.89
16	Loans	15 years	10.31	10.32	11.68
17		25 years	10.18	10.19	11.47

♦Opening index 2407.5; 9 am 2397.7; 10 am 2390.3; 11 am 2392.3; Noon 2378.8; 1 pm 2379.6; 2 pm 2381.4; 2.30 pm 2382.5; 3 pm 2382.7; 4.10 pm 2388.7; (a) 8.30am (b) 12.14pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Exch 12¼pc 1992		100⅛xd	—	101¼	100⅛	12.22	9.92
13½pc 1992		100½	—	102⅛	100½	13.43	9.87
Treas 8¼pc 1993		99¼xd	—	99¾	97⅞	8.31	9.68
10pc 1993		100⅛	—	100½	99⅞	9.99	9.87
[illegible]							
Five to Fifteen Years							
Treas 8¾pc 1997		98¼	—	99⅛	94	8.91	9.15
8¾pc 1997 B		98¼	—	99⅛	98⅛	8.91	9.17
Exch 15pc 1997		122⅛	+⅛	123⅛	118⅛	12.29	9.55
9¾pc 1998		102¼	+⅛	103⅛	97⅞	9.54	9.21
Treas 6¾pc 1995-98		91⅞	+⅛	93⅛	88⅞	7.34	8.54
15½pc '98		127⅛	—	129⅛	123⅛	12.15	9.48
Exch 12pc 1998		112⅛	—	113¾	107⅞	10.68	9.35
Treas 9½pc 1999		102½	—	103⅞	97⅛	9.27	8.97
Exch 12¼pc 1999		114⅛	—	115⅛	109½	10.74	9.34

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		106½	-⅛	107⅞	101⅞	9.86	9.18
Conversion 10¼pc 1999		105⅛	—	106⅞	100⅞	9.71	9.18
9pc 2000		99⅞	—	100⅞	94⅞	9.01	9.01
9% 2000 C		99⅞	—	100⅞	98⅞	9.84	9.01
Treas 13pc 2000		119⅞	+⅛	121⅛	114⅞	10.84	9.39
10pc 2001		105⅛xd	+⅛	106¼	99⅞	9.52	9.13
14pc '98-01		119⅛	—	121	115⅞	11.71	9.53
[illegible]							
Undated							
Consols 4pc		43⅞xd	—	44⅛	39⅞	9.13	—
War Loan 3½pc		38⅞	—	39⅛	35⅞	8.99	—
Conv 3½pc '61 Aft		62½	—	62⅞	59	5.60	—

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 3pc '66 Aft		32⅜	—	32⅝	29⅞	9.27	—
Consols 2½pc		27⅞	—	27⅞	24⅞	9.03	—
Treas 2½pc		27½	—	27¾	24⅞	9.08	—
Index-Linked	(b)					(1)	(2)
Treas 2pc '94	(102.9)	126⅛	-⅜	127⅝	122⅞	2.82	4.31
2pc '96	(67.9)	182⅝	-¼	184¼	176⅜	3.58	4.23
[illegible]							
OTHER FIXED INTEREST							
[illegible]							

LEGAL NOTICE

FAVERSHAM FINANCE LIMITED
Registered Number: 2037292. Nature of Business: Investment Company. Trade Classification: 38. Date of Appointment of Joint Administrative Receivers: 16 July 1992. Name Of Person Appointing the Joint Administrative Receivers: Wardley Australia Limited.
Joint Administrative Receivers: I.P. Phillips & D.J. Buchler, (office holder numbers: 2638 & 3134) of: Buchler Phillips & Co., 84 Grosvenor Street, London W1X 9DF

PARKHEM SECURITIES LIMITED
Registered Number: 2083584. Nature of Business: Investment Company. Trade Classification: 38. Date of Appointment of Joint Administrative Receivers: 16 July 1992. Name Of Person Appointing the Joint Administrative Receivers: Wardley Australia Limited.
Joint Administrative Receivers: I.P. Phillips & D.J. Buchler, (office holder numbers: 2638 & 3134) of: Buchler Phillips & Co., 84 Grosvenor Street, London W1X 9DF

FERMOY FINANCE LIMITED
Registered Number: 2037295. Nature of Business: Investment Company. Trade Classification: 38. Date of Appointment of Joint Administrative Receivers: 16 July 1992. Name Of Person Appointing the Joint Administrative Receivers: Wardley Australia Limited.
Joint Administrative Receivers: I.P. Phillips & D.J. Buchler, (office holder numbers: 2638 & 3134) of: Buchler Phillips & Co., 84 Grosvenor Street, London W1X 9DF

Rule 3.2 NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
Registered Name: Murcott Wilden & Jacobs Limited
Registered Number: 958148
Trading Name: Murcott Wilden & Jacobs Limited
Trade classification: 30
Names and Addresses of Joint Administrative Receivers: N H Cooper Esq and I Jacob Esq, 168 City Road, London EC1V 2NU
Date of appointment: 16th July 1992
By whom appointed: Barclays Bank PLC
Date of Charge: 8th January 1990
Nature of Charge: Fixed and Floating

SUNKYONG INDUSTRIES LIMITED
US$50,000,000
FLOATING RATE NOTES DUE 1998
(Redeemable at the option of Noteholders in April 1996 and April 1997 and at the option of the Issuer on any interest payment date falling in or after April 1996).
In accordance with the provisions of the Notes, notice is hereby given as follows:
* Interest period: July 21st, 1992 to October 21st, 1992
* Interest payment date: October 21st, 1992
* Interest rate: 3.8125% per annum
* Coupon amount: US$2,435.76 per note of US$250,000

AGENT BANK
BANQUE INTERNATIONALE A LUXEMBOURG

GENEVA SWITZERLAND
Full Service is our Business
International law and taxes. Mailbox, telephone, furnished offices and conference room for daily or monthly rental, telex and telecopier services. Translation and secretarial services. Formation, domiciliation and administration of Swiss and Foreign companies. Full confidence and discretion assured.
BUSINESS ADVISORY SERVICES S.A.
7 Rue Muzy, 1207 Geneva
Tel:736 05 40 Tx: 413222
Fax:786 06 44

Business Advertising appears every Tuesday, Friday & Saturday. For further information please telephone Melanie Miles on 071 873 3000

TAX-FREE SPECULATION IN FUTURES
To obtain your free Guide to how your Financial Bookmaker can help you, call Michael Murray or Ian Jenkins on 071-828 7233 or write to us: IG Index Plc, 9-11 Grosvenor Gardens, London SW1W 0BD.

SATQUOTE
REAL-TIME EUROPEAN AND U.S. STOCK MARKET DATA AND ANALYSIS AT REALISTIC PRICES
★ ALSO FUTURES ★ OPTIONS ★ BONDS ★ FX AND NEWS ★
CALL • LONDON 71-329-3377 — FRANKFURT 49-69-639125

FUTURES & OPTIONS TRADERS
FOR AN EFFICIENT AND COMPETITIVE SERVICE
BERKELEY FUTURES LTD.
15 PARK ROAD, LONDON NW1 6XN
OR TEL: CHARLES DE ROEPER
ON 071-224 8489
FAX: 071-224 8275

WORLD STOCKMARKETS. WHERE NEXT?
If you have a View, take a Position
Contact: Adrian Francis on 071-245 1010
ECU Investment Plc, 29 Chesham Place, SW1X 8HL
Member of The Securities and Futures Authority

Market Myths and Duff Forecasts for 1992
"The recession is over; stockmarkets are in a bull trend; the US dollar will continue to recover." You did NOT read that in FullerMoney – the iconoclastic investment letter.
Call Jane Farquharson for a sample issue (once only)
Tel: London 71-439 4961 (071 in UK), or Fax: 71-439 4966

TRADING STRATEGIES & IDEAS
Currencies • Bonds
Energy • Metals &
Oil Markets
Setting The Trend For Others To Follow
Trend Analysis Ltd
Fermes House
32 Southgate Street
Winchester
Hants SO23 9EH
Tel: 0962 879764

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs h	15⅞xd	—	19⅛	14⅝	13,897	2.0
♥Allegheny & W	269p	—	335p	226p	189.8	6.8
Amdahl	907p	—	1159p	793p	1,016	0.6
Amer Cyanamid	30½	—	37	28⅝	2,788	2.8
Amer Express	12⅞xd	—	13⅞	10⅞	6,068	4.2
Amer T & T	23⅛xd	−⅛	24⅞	20⅛	30,672	3.0
Ameritech	35⅝	—	38⅞	32½	15,597	5.2
BankAmerica	23⅞xd	+⅝	27⅛	19⅛	8,167	2.9
Bankers NY	31¾xd	+⅛	37¼	28⅞	2,631	4.6
Bell Atlantic	25⅛	—	28¼	23⅛	10,816	5.4
BellSouth	27⅞	—	29⅛	25	13,827	5.2
♥Bethlehem Steel	7⅞xd	+⅛	9⅝	7	584.5	—
Bowater	1052pxd	—	1579p	1016p	378.3	6.0
CPC h	24⅞xd	−⅜	25¼	22⅛	3,777	2.5
♥Cadiz Land Inc	170p	—	342p	168p	—	—
California Engy	641p	—	833p	620p	116.7	—
Campbell Soup	19⅞xd	+⅛	23⅛	17⅜	4,989	2.1
Chase Manhattan	13⅞xd	−⅛	16½	9⅛	1,842	4.5
Chrysler	10xd	—	11½	6¼	2,921	3.1
Citicorp	10⅝xd	+⅛	11¼	5⅛	3,727	—
Colgate-Palm	27½xd	+⅛	29⅛	25¼	4,378	2.4
Cont'l Bank	933p	—	1036p	499p	942.5	3.4
Dana	21⅛xd	−½	24½	14⅛	987.3	3.9
Data General	487p	—	1004p	388p	128.9	—
♥Decora Inds	104p	—	122p	66p	—	—
Dun & Brad	30⅞	—	33½	27⅝	5,588	3.9
Eaton	39⅞	—	46½	32½	1,371	2.9
Echlin	10⅛xd	+⅛	11	7⅞	565.4	3.6
FPL	19⅞xd	+⅛	20	18⅛	3,359	6.6
Fluor	20⅛	+⅛	27	19⅛	1,667	1.0
Ford Motor	23	−⅝	26⅞	15	11,167	2.3
Gen Elect	40⅞xd	−⅛	46¼	39⅝	34,806	3.1
♥General Host	437p	—	556p	360p	—	4.3
Gillette	26⅞xd	−⅛	29⅞	23⅞	5,709	1.4
Hasbro	14⅞	—	18	12⅛	1,282	0.7
Honeywell	34⅞xd	−⅛	45	33⅛	2,408	2.5
Houston Inds.	23½	—	25	22⅞	3,043	6.7
IBM	49⅛xd	+½	54½	46¼	28,038	5.2
Ingersoll-Rand h	14⅛	+¼	19⅛	13⅛	1,485	2.4
Lockheed	28½	—	28⅞	22⅛	1,454	4.7
Lowe's h	1045p	—	1273p	815½p	782.8	1.4
Merrill Lynch	26⅛xd	−½	38⅞	24⅞	2,709	2.0
Morgan (JP)	31	−⅛	37½	28⅛	5,901	3.7
Morris (Philip)	40⅞xd	+⅛	45⅞	37⅞	37,598	2.7
NYNEX	42⅛	—	44⅝	39⅝	8,867	5.7
For Pacific Agricultural see Cadiz Land Inc						
Pall	14	—	17⅞	10⅞	1,228	1.3
Pennzoil	25⅛xd	+¼	30¼	23⅛	1,817	6.3
Quaker Oats	31xd	−⅛	40⅛	28	2,316	2.9
Rockwell	12¼	+⅛	15⅞	11½	2,725	4.0
Rep NY	21⅞xd	+⅛	26⅛	20⅞	1,141	2.4
Sears, Roebuck	20⅞xd	−⅛	28	19⅞	7,849	5.1
Sthwestern Bell	34⅞	—	39⅞	31⅝	10,317	4.4
Sun Co	13¼xd	—	18⅞	13⅛	1,408	7.3
Tenneco	18½xd	−⅛	25⅛	18½	2,301	4.6
Texaco	32½xd	−⅛	36⅝	30⅞	8,401	5.2
Time Warner	58¼xd	−½	62⅛	46½	5,388	0.3
♥Unilab	320p	—	587p	320p	297.2	—
Utd Tech	28xd	+1⅛	31¼	26⅛	3,405	3.4
◊URS Intl 1c	0¾p	—	1¼p	0⅛p	2.38	—
US West	20½	—	21⅞	18¾	8,409	5.4
Varity	868p	—	1858p	632p	216.6	—
Waste Manage	18⅞xd	+⅛	28	17⅛	9,043	1.3
Whirlpool	1972pxd	—	2799p	1674p	1,399	2.9
♥Woolworth	14⅛	+⅛	18¼	13¼	1,850	4.1

CANADIANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
♥*Abbot Energy*	1¼p	—	2p	1⅛p	—	—
Amer Barrick	1515p	—	1642p	1268p	2,184	0.3
Bk Montreal	20⅝	—	23¼	19½	2,588	4.7
Bk Nova Scot	1014p	—	1178p	899p	2,866	4.7
♥BC Gas	717p	—	878p	683p	—	3.8
BCE	20⅝	—	24½	19¼	8,399	5.7
♥Brascan	722p	—	967p	704p	895.4	6.6
♥Breakwater	19½p	—	33p	6p	12.4	23.4
Can Imp Bk	1218p	—	1818p	1157p	2,285	4.9
Can Pacific	782p	—	938p	770p	2,492	1.9
4pc Deb	38	—	38	34	18.8	11.1
♥Derlan	238p	—	335p	238p	—	5.3
♥Echo Bay	369p	—	466p	300p	388.1	0.9
♥ECO	18½p	—	42p	12p	—	—
♥Gulf Can	242pxd	—	498p	219p	383.9	—
♥Hawker Sid	10¼	—	12⅝	10¼	88.4	4.8
♥Hudson's Bay	1174p	—	1607p	1140p	350.7	3.1
♥Imperial Oil	19½xd	—	21½	18⅞	3,779	3.5
Inco	16⅞xd	—	19¼	13⅞	1,770	2.8
♥Int Corona	315p	—	355p	315p	518.9	1.4
♥Muscocho	3½p	—	4⅞p	1p	—	—
♥N A Tire Recycling	51p	+4	63p	34½p	1.79	—
Nova Corp Alberta	373pxd	−6	425p	319p	1,118	3.0
♥Rio Algom	732p	—	919p	675p	320.1	5.0
Royal Bk Can	1130p	—	1415p	1018p	3,528	4.7
♥TVX Gold	152p	—	194p	143p	24.8	—
Toronto-Dom	816p	—	944p	742p	2,466	4.7
♥Trans Can Pipe	788p	—	888p	758p	1,354	4.4

BANKS

Notes	Price	+ or -	1992 High	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro FL	£14¼	—	£14⅞	£12⅞	3,773	6.4	♦
ANZ AS g	137	−4	*197½	137	1,676	5.7	11.7
■Abbey National	261	−5	317	257	3,421	5.4	8.3
■Allied Irish I£	165	+2	185	154	1,077	6.0	11.4
■Anglo Irish £1 tg	37	—	*50	35	44.5	10.9	5.4
Banco Bilbao Pta	£14⅞xd	—	£18⅛	£13⅞	3,248	5.8	6.4
Banco de San Pta	£22	+⅛	£38⅛	£21⅝	2,442	5.9	6.3
■Bk Ireland I£ s	153	+1	180	141	615.5	4.9	28.0
Bank Leumi (UK)	330	—	*340*	*330*	25.4	6.6	—
■Bank Scotland	107	−1	*124	97½	1,230	5.4	16.7
9¼pc Pf	118¼	+½	120½	104	118.3	10.4	—
9¾pc Pf	123	−½	124¼	109	123.8	10.6	—
■Barclays	380	−4	418	285	4,812	9.4	62.8
Dai Ichi Kan Y	585	—	£10⅝	450	16,757	0.8	♦
Deutsche DM	£234	—	£284¾	£230	11,097	2.3	—
Espirito Santo	£17½	—	£21½	£17½	187.1	4.0	♦
Fuji Bank Y	541	—	1104	493	15,664	0.7	♦
■HSBC W	337½	−8½	381	238	2,706	3.9	23.6
For the Hong Kong quote of HSBC see RECENT ISSUES							
Kyowa Sait Y	269	—	473	239½	6,241	1.1	♦
■Lloyds	409	−9	443	346	5,177	5.4	15.1
■Midland ♦	478	−4	484	304	3,750	1.0	—
Mitsubishi Y	£7	—	£10⅞	£5¼	20,132	0.5	♦
Mits Tst & Bk Y	£3	—	£6⅞	£3	3,906	1.2	6.7
Mitsui Tst & Bk Y	281	—	592	248	3,367	1.3	14.1
Nat Aust AS	307	—	345	297	3,087	5.7	12.5
■NatWest	305	−6	389	251	5,088	7.6	—
Ottoman	£155	—	£168	£130	77.5	7.3	4.9
■Ryl Bk Scotland	175	−2	288	147	1,369	6.7	47.7
Sakura Y	£4	—	£7⅞	£3½	12,255	0.9	36.4
Sanwa Y	£5⅛	—	£9⅛	£4½	14,879	0.7	♦
■Standard Charto	440	−2	518	402	1,886	6.1	9.1
Sumitomo Y	£5⅞	—	£9⅞	£5	16,881	0.7	♦
Sumitomo Tst Y	£3⅛	—	£6⅞	£3	3,885	1.2	♦
■TSB	133	−1½	153½	115	2,041	6.6	—
Tokai Y	£3¼	—	£6⅞	£3⅛	7,607	1.0	♦
Toyo Tst & Bk Y	338	—	703	332	2,656	1.0	♦
Westpac AS	121	−2	183	121	1,504	8.9	10.3
Yasuda Tst Bk Y	338	—	678	309	3,640	1.0	♦

BREWERS & DISTILLERS

Notes	Price	+ or -	1992 High	low	Mkt Cap£m	Yld Gr's	P/E
■Allied-Lyons	609	−2	712	569	5,343	4.4	14.3
Anheuser-Busch $	£29⅞	+⅛	£33⅞	£28⅞	8,442	2.3	—
■Bass th	534	−5	*605	491	4,613	4.4	11.7
■Boddington	182	+4	187	146	184.8	5.4	11.2
Bulmer (HP)	299	−1	317	243	158.0	4.1	♦
■Burn St Dist R	138	−1	161	138	81.8	4.6	10.7
Burtonwood	116xd	—	143	112	24.2	5.1	♦
■Devenish (JA) t	244	—	281	194	131.2	3.4	14.2
4½pc Cv Pf	189	+2	215	145	2.71	3.3	—
◊Eldridge Pope A t	88	—	107	82	17.1	4.0	20.2
Fosters AS t	74	−1	83	73	1,566	1.3	18.3

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	†	152	-6	178	152	3.9	184.7	17.6
Warrants		23	-1	38	23	–	–	–
Scot Mortgage		144	$-2\frac{1}{2}$	167	139	3.8	170.7	15.6
Scot National Inc		$75\frac{1}{2}$	-2	107	$75\frac{1}{2}$	15.8	–	–
Cap		20	-2	42	$12\frac{1}{2}$	–	–	–
Stepped Pf	t	$141\frac{1}{4}$	—	142	120	6.9	–	–
Zero Div Pf		187	—	$187\frac{1}{2}$	$166\frac{1}{2}$	–	–	–
Warrants		4	—	9	$3\frac{1}{2}$	–	–	–
Scot Value	ta	$62\frac{1}{2}$	—	84	48	3.8	60.3	-2.8
Sec Alliance	†	1100	-12	1283	1103	4.2	1270.4	13.2
Second Market	s	226	-2	244	222	8.9	278.6	18.8
Sec Tst Scot		66	-1	$75\frac{1}{2}$	63	8.7	67.9	3.5
Select Assets		$85\frac{1}{2}$	$-\frac{1}{2}$	$102\frac{1}{2}$	$85\frac{1}{2}$	1.4	128.0	31.8
Eq Ind Ser I		113	—	123	109	5.8	–	–
Eq Ind Ser II		113xd	—	123	109	5.8	–	–
Shires		216	-2	240	196	11.4	207.8	-3.5
11pc Cv Ln '03/04		£184½	—	£119½	295½	10.8	–	–
Siam Select		69	—	91	68	2.8	91.0	24.1
Warrants		11	—	21	11	–	–	–
Smaller Cos		76	—	85	67	4.4	84.1	10.8
Warrants		13	—	30	10	–	–	–
Somerset Tst		125	-5	140	55	–	82.3	-51.9
Sphere Inc	N	12	—	29	12	34.4	15.7	26.8
Zero Div Pf		78	$-2\frac{1}{2}$	$77\frac{3}{4}$	$65\frac{1}{4}$	–	–	–

For Stratton Inv see Baring Stratton

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
WPP		37	—	115	32	22.2	–	–
Warrants		$3\frac{1}{4}$	—	$8\frac{1}{2}$	$1\frac{1}{2}$	0.18	–	–
8¼p Cv Pf		27	-1	46	20	57.8	–	–
Watmoughs		450	—	468	391	147.8	3.1	22.2
Yorkshire TV		176	—	195	152	82.8	8.1	6.2

MERCHANT BANKS

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)		28	—	34	26	52.3	–	–
Barings 8pc Cm 2nd Pf		97	—	100	$83\frac{1}{2}$	12.1	11.0	–
9¼pc Non-Cum Prf		119	$-\frac{1}{2}$	$122\frac{1}{4}$	$103\frac{1}{4}$	47.8	10.9	–
Brown Shipley		65	—	204	55	8.77	–	–
Close Bros	†	278	-4	287	215	82.6	5.5	9.6
Hambros		238	—	292	215	418.7	7.7	8.7
7½pc Cv Pf		107	+1	119	93	108.5	9.7	–
Joseph (L)		330	—	333	318	17.3	6.7	–
Kleinwort Benson		247	-1	334	212	321.1	8.6	17.5
Rea Bros		28	-1	37	26	10.2	2.6	–
Schroders		1238	-5	1366	1043	821.8	1.9	14.4
N/V		1038	-5	1158	883	136.3	2.3	12.1
Singer & Fried		38	—	58	37	78.1	8.8	8.3
Warburg (SG)		487	—	505	445	971.4	5.1	9.4
8pc Cv Pf		184	-1	204	150	89.8	4.9	–

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Inverna West IC		33	—	53	33	10.5	–
Kells Mins IC		20	—	42	20	0.48	–
Kenmare		$2\frac{1}{4}$	—	$6\frac{1}{2}$	$2\frac{1}{2}$	2.64	–
Meinga Res		28	—	48	27	3.08	–
Navan Res IC		$23\frac{1}{2}$	—	35	16	3.15	–
North West Expl AS		3	—	6	2	1.01	–
Oryx Gold S		59	—	103	51	–	–
Plateau		4	—	13	4	1.82	–
RTZ		547	—	669	469	5,480	4.8
Vizcaya		$1\frac{3}{4}$	—	3	1	0.94	–
Western & Pac C$		$10\frac{1}{2}$	—	86	7	5.76	–
Young Grp		18	—	110	4	2.41	21.7

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International.
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ∎ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield p/e based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Subject to local tax.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1990-91
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991
R Forecast annualised yield, p/e based on prospectus or other official estimates
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date

Abbreviations:
xd ex dividend
xc ex scrip issue
xr ex rights
xa ex all
[illegible] ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

London Share Prices

Real time share prices are available by calling FT Cityline.

FT Cityline can also provide you with a confidential personal portfolio facility to give you a real time evaluation of your own personal investments.
For a free FT Cityline Share and Unit Trust Directory or to obtain your confidential Portfolio PIN call the FT Cityline Help desk on (071) 925 2128.
Calls charged at 36p per minute cheap rate and 48p per minute at all other times.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq: 0903 204631

	Init Charge	Bid Price	Offer Price	+ or -	Yield Gr's
High Income	5	210.6 213.7	227.5	-2.1	6.02
(Accum Units)	5	349.5 354.7	377.3	-3.4	6.02
UK Growth	5	266.1 268.9	286.0	-1.7	3.84
(Accum Units)	5	326.0 329.4	350.4	-2.0	3.84
Int Equity Gth ♦	5	43.49 43.65	46.43	-0.57	1.20
Intl Bond	5	53.45 53.45	56.14	-0.02	6.44
Special Sits Gwth	5	13.85 14.30	15.21	-0.11	3.38
North American Gwth	5	64.72 64.97	69.11	+0.11	0.98
European Growth ♦	6	48.35 48.59	51.69	-0.63	1.09

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867

	Init Charge	Bid Price	Offer Price	+ or -	Yield Gr's
MW Joint Investors	0	1049.4 1049.4	1072.9	....	4.90

Maiden Unit Trust Managers Ltd (1400)F
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242

	Init Charge	Bid Price	Offer Price	+ or -	Yield Gr's
Maiden General	0	104.3 104.3	107.8	....	5.41

Manulife Management Ltd (1200)F
St George's Way, Stevenage Dealings: 071-256 5858

	Init Charge	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	124.3 125.3	134.0	-2.1	3.83
Gilt & Fxd Int	5	161.5 161.5	171.1	+0.2	8.87
Intl Growth	5¼	124.4 124.4	133.4	-1.6	0.61
North American ♥	5¼	97.44 97.44	104.8	-0.2	0.70
Far East	5¼	129.4 129.4	138.8	-0.8	1.09
UK Smaller Cos	5¼	98.18 101.7	108.8	-0.3	2.54
European	5¼	50.23 50.23	53.59	-0.74	0.79
Japanese Growth	5¼	23.41 23.41	25.01	-0.81	0.00
Managed P'folio	5¼	44.98 44.98	48.25	-0.7	1.93
High Income	5¼	129.5 130.7	139.8	-0.2	5.90

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9DG 0244 680066

	Init Charge	Bid Price	Offer Price	+ or -	Yield Gr's
M & S Inv P'folio	5½	105.2 105.5	112.8	-1.4	3.26
Do Accum	5½	115.7 116.1	124.1	-1.5	3.26
UK Sel P'folio	5½	85.04 85.87	91.83	-1.57	4.89
Do Accum	5½	93.52 94.35	100.9	-1.8	4.89

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Bolton, BL1 1LA 0204 364842

	Init Charge	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Tst	5	52.31 52.61	55.97	....	5.19

Martin Currie Unit Trusts Ltd (0905)H
Saltire Crt, 20 Castle Terrace, Edinburgh 031 479 4646

	Init Charge	Bid Price	Offer Price	+ or -	Yield Gr's
Far East (Pacific)	5¼	89.76 89.76	95.28	-0.55	0.91
Income & Growth	5¼	57.15 57.97	61.53	-0.6	4.55
European (z)	5¼	54.60 54.60	57.94	-0.15	1.12
Nth American (z)	5¼	38.61 38.61	40.98	-0.32	0.78
Intl Growth(9-1)	5¼	65.82 66.93	71.05	-0.56	0.68
UK Growth	5¼	57.95 58.94	62.56	-0.41	1.79
Intl Income	5¼	49.95 50.57	53.68	-0.21	5.53
Charities	5¼	85.90 87.10	92.46	-0.85	5.66
Japan	5¼	27.91 27.91	29.62	-0.62	0.20
Emerging Markets ♦	6	54.89 56.08	59.97	-0.32	0.78

For Matheson see Cannon UT

For Mayflower Mngmt see Sheppards UT Mngmt

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS 071-280 2060

	Init Charge	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	125.0 125.0	133.0	+1.40	0.00
(Accum Units)	5	133.6 133.6	142.1	+0.40	0.00
American Opps	5	49.56 49.56	52.87	+0.41	0.00
(Accum Units)	5	50.24 50.24	53.59	+0.41	0.00
British Blue Chip	5	59.25 59.30	63.26	-0.44	4.22
(Accum Units)	5	67.78 67.83	72.36	-0.51	4.22
Cash *	0	101.9 101.9	101.9	....	9.83
(Accum Units) *	0	123.5 123.5	123.5	+0.10	9.83
European Growth	5	154.0 154.0	163.1	+0.70	0.55
(Accum Units)	5	163.5 163.5	173.2	+0.80	0.55
European Income	5	59.40 59.40	63.09	-0.08	3.72
(Accum Units)	5	74.19 74.19	78.80	-0.11	3.72
General	5	365.9 367.8	392.4	-2.60	3.09
(Accum Units)	5	679.9 683.9	729.5	-4.80	3.09
Global Bond	5	105.4 105.4	110.7	-0.10	6.67
(Accum Units)	5	112.3 112.3	118.1	....	6.67

N&P Unit Trust Management Ltd (1200)F
35 Fountain St, Manchester M2 2AF 061 237 5322

	Init Charge	Bid Price	Offer Price	+ or -	Yield Gr's
N&P UK Growth	5½	53.99 54.24	57.71	-0.94	3.95
N&P UK Income	5½	75.87 77.24	82.61	-1.23	5.66
N&P Gilt & Fixed Int	5½	67.57 67.57	71.51	-0.03	7.80
N&P Higher Income	5½	132.00 139.00	147.50	-1.80	6.62
N&P Smaller Co's	5½	55.84 58.07	62.11	+0.10	3.66
N&P International	5½	66.93 67.18	72.24	-0.79	3.00

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

	Init Charge	Bid Price	Offer Price	+ or -	Yield Gr's
NPI American Acc ♥	5½	71.79 72.07	77.08	-0.32	0.16
NPI American Dist ♥	5½	66.45 66.70	71.34	-0.29	0.16
NPI European Acc	5½	65.39 64.09	70.68	-0.72	0.21
NPI European Dist	5½	63.45 64.13	68.59	-0.70	0.21
NPI Far East Acc ♥	5½	90.83 91.44	97.80	-1.66	0.01
NPI Far East Dist ♥	5½	89.5 90.1	96.4	-1.64	0.01
NPI Global Dist	5½	50.39 50.64	54.16	-0.24	2.58
NPI O'seas Acc	5½	808.6 813.5	870.0	-8.50	0.69
NPI O'seas Dist	5½	625.9 629.6	673.4	-6.10	0.69
NPI UK Acc	5½	467.6 470.6	503.3	-8.20	3.39
NPI UK Dist	5½	250.0 251.6	269.1	-4.30	3.39
NPI Extra Inc Dist	5½	51.22 51.59	55.18	-0.72	4.91
NPI UK Spec Opp Acc	5½	52.99 53.57	57.29	-0.93	2.59
NPI W'wide Acc	5½	69.03 71.13	76.07	-0.78	0.00
NPI W'wide Dist	5½	66.14 68.16	72.90	-0.73	0.00
NPI W'wide Inc Dist	5½	46.91 47.97	51.30	-0.99	2.68

For National & Provincial UT Mngrs see N&P UT Mngmt

Newton Fund Mngrs Ltd (1200)F
2, London Bridge, SE1 9RA 071-407 4404

	Init Charge	Bid Price	Offer Price	+ or -	Yield Gr's
Newton Income	6	153.53 156.95	166.97	-1.46	5.48
Newton Global	6	193.56 193.56	205.92	-0.20	1.70
Newton General	6	122.63 125.93	133.97	-0.56	3.52
Newton Intl Bd	6	97.37 98.98	105.30	+0.20	7.47

Norwich Union Tst Managers (1200)H
PO Box 124, 51/59 Rose Lane, Norwich 0603 682234

	Init Charge	Bid Price	Offer Price	+ or -	Yield Gr's
Master Trust	6	83.53 83.53	88.85	-0.72	4.03
UK Equity*	6	101.45 103.06	109.64	-1.42	4.56
UK Equity Income	6	95.29 97.18	103.38	-1.38	6.03
UK Smaller Co's	6	87.11 90.54	96.32	-0.54	3.09
UK Equity Growth	6	94.79 96.35	102.50	-1.14	5.10
UK Index Tracking ♦ F	6	102.01 102.65	109.20	+0.40	4.81
Intl Index Tracking F	6	88.43 89.19	94.88	-1.26	1.98
International	6	143.90 145.50	154.79	-1.64	2.39
European	6	116.82 117.91	125.44	-0.86	1.64
Pan European	6	87.70 88.93	94.61	-0.71	3.47
Nth American	6	113.78 114.88	122.21	-0.57	2.37
Nth Amer Smllr Cos	6	98.46 100.43	106.84	-0.27	0.00
Japanese	6	49.33 50.08	53.28	-1.42	0.00
Pacific	6	118.64 120.42	128.11	-1.44	1.21
South East Asian	6	122.33 124.27	132.20	-0.77	1.22
International Bond	6	101.25 101.37	107.84	-0.27	6.62
Gilt & Convertible	6	98.64 98.85	105.16	+0.05	8.02
Property F	6	67.87 69.85	74.31	+0.11	6.86
Cash Deposit Accum F	0	101.90 101.90	101.90	+0.02	9.52

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the Managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	250.0	250.0	266.0	+0.6	0.87
(Accum Units) ♥	5	294.3	294.3	313.1	+0.7	0.87
British	5	768.0	785.9	831.5	-7.8	6.48
(Accum Units)	5	1287.9	1318.6	1394.4	-13.1	6.48
European	5	330.9	330.9	352.4	-2.5	1.37
(Accum Units)	5	358.7	358.7	382.0	-2.7	1.37
Japan	5	84.78	84.78	90.11	-2.34	-
(Accum Units)	5	85.46	85.46	90.83	-2.36	-
New Pacific	5	199.3	199.8	212.8	+0.5	1.64
(Accum Units)	5	207.1	207.6	221.1	+0.5	1.64
Investment Tst June 12	5	131.5	134.2	142.3	-2.7	2.50
Mngd Equity	5	119.8	121.0	128.0	-1.3	3.02
Mngd Equity Acc	5	129.1	130.4	138.0	-1.4	3.02
Mngd Cash	0	95.77	95.77	95.77	....	9.56
(Accum Units)	0	122.4	122.4	122.4	....	9.56
Majority Stg	1	99.87	99.87	100.87	+0.02	9.40
Majority Stg Acc	1	112.65	112.65	113.78	+0.02	9.40

Storebrand Intl Inv Mngrs Ltd (1200)F
Admin 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

International Jul 15	0	48.02	48.02	48.40	....	1.53

Sun Alliance Unit Tst Mngmt Ltd (1200)F
St Mark's Court, Horsham 0403 232323

Equity	6	575.8	575.8	615.8	-17.4	3.44
North America	6	74.95	74.95	80.16	-0.68	0.82
Far East	6	80.72	80.72	86.33	-1.33	0.54
W'wide Bond	6	47.50	47.50	50.53	-0.19	6.21
European	6	64.31	64.31	68.78	-0.67	1.69
Equity Income	6	62.82	63.74xd	68.17	-1.05	5.05
Portfolio	6	54.04	54.04	57.80	-0.79	1.91
UK Leading Cos	6	41.10	41.68	44.34	..	3.44
Broker Trusts						
Intnl Equity	6	42.37	42.70	45.67	-0.41	2.99

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basingview, Basingstoke, Hants 0800 525725

American Growth	6	24.87	24.87	26.60	-0.08	0.75
Managed Assets	6	95.61	96.26xd	102.96	-0.55	3.53
UK Income	6	28.84	29.20	31.24	-0.26	5.02
UK Growth	6	29.59	29.95	32.02	-0.25	3.43

Lazard Investors Ltd ††
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Jul 22	£3848.1	4019.4	-96.50	3.67
European Jul 22	£563.4	569.5	-13.00	2.00
American Jul 22	£323.6	326.5	-2.30	1.83
Japan Jul 22	£361.9	367.0	-23.40	1.77
Pacific Jul 22	£138.1	141.4	-0.20	1.23
W Midlands Jun 30	£126.30	141.40	....	2.69

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

Property Jun 30	169.30	193.30	...	8.25
Equity Jun 30	856.95	868.95	....	4.06

* Available only to Local Authorities

M & G Securities Ltd

Charibond Jul 21	106.36		+0.2	10.14
(Accum Units)	661.15		+1.3	10.14
NAACIF Jul 21	40.75		-0.5	9.32

Morgan Grenfell Investment Funds Ltd
Exempt Funds

UK Equity † Jul 21	123.7	132.9	....	2.05
UK Small Co † Jul 21	473.0	520.2	...	3.85
Fixed Interest † Jul 21	111.3	117.0	....	8.55
US Small Co Jul 21	136.2	145.7	....	0.00
Managed Jul 21	103.3	110.7	....	3.62
Intl Bond Jul 21	122.3	129.0	....	9.97
Japan Jul 21	54.51	58.10	....	5.48
Europe Jul 21	87.78	94.14	....	1.77
Nth American Jul 21	103.7	111.9	....	1.40

Morgan Stanley International

UK Exempt	£1042.61	1068.94	...	-
Overseas Exempt	£939.25	967.83	....	-

Murray Johnstone UT Mngmt
Murray Exempt Funds

American Exempt	48.43	50.32xd	-0.09	1.56
European Exempt	47.90	48.97xd	-0.46	3.10
Fixed Int Ex Jul 22	46.94	47.39xd	-0.21	9.09
Japan Exempt	31.88	32.87	-1.01	0.91
Managed Ex Jul 16	44.32	45.51	..	4.22
SE Asia Exempt	76.07	79.45	+0.84	2.06

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Pearl Assurance (Unit Funds) Ltd

Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or −	Yield Gross
Property Dist. (Gross)	135 4	142 5	.....	−
Property Acc. (Gross)	257 9	271 5		−
Equity (Gross)	819 7	862 8	−6 4	−
Managed (Gross)	584 3	615 0	−3 7	−
Property Acc. (Net)	123 3	129 8		−
Equity (Net)	191 4	201 4	−1 4	−
Adventurous Managed	89 3	94 0	−0 1	−
Managed (Net)	180 4	189 9	−1 1	−
Cautious Managed	96 1	101 1	−0 2	−
International (Net)	153 5	161 6	−1.2	−
Gilt & Fixed Interest	142 3	149 8	+0 5	−
Money Fund	140 4	147 8		−
Mixed Fund (Cap)	115 5	121 6		−
Mixed Fund (Acc)	120 1	126 5		−
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	634 0	667 4	−3 5	−
Ret Man (Series 2)	215 0	226 4	−1 2	−
Ret Cash	198 3	208 7	+0 1	−
Pens Mixed Fd (Cap)	127.9	134 7		−
Pens Mixed Fd (Acc)	133 0	140 0		−
Pens Stlg Fd (Cap)	103.9	109 4		−
Pens Stlg Fd (Acc)	108 1	113 8		−

For Pioneer Mutual see Swiss Pioneer

Premium Life Assurance Co Ltd

37–39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	130 0	137 0	−1 0	−
Building Soc. Fd.	224 0	236 0		−
Balanced	256 0	270 0	−1 0	−
European	202 0	213 0	−1 0	−
GT Managed	179 0	189.0	−1.0	−
Gartmore Mngd	118 0	125 0		−
German	128 0	135 0	−1.0	−
Gilt	168 0	177 0	−1 0	−
Global	38 0	40 0	−2.0	−
International Equity	187 0	197 0	−1 0	−
Japan	141 0	149 0	−5 0	−
Leisure	48 0	51 0		−
Managed	41 0	44 0	−1.0	−
Property	294 0	310 0		−
UK Equity	240 0	253 0	−2 0	−
Pension Funds				
American	249 0	263 0	−2.0	−
Building Soc. Fd	240 0	253 0		−
Balanced	214 0	226 0	−2 0	−
European	222 0	234 0	−2 0	−
German	126 0	133 0	−1 0	−
Gilt	161 0	170 0	−1 0	−
Global	36 0	38 0	−1.0	−
International Equity	169 0	178 0	−1.0	−
Japan	84 0	89 0	−3 0	−
Managed	53 0	56 0		−
Property	227 0	239 0		−
UK Equity	244 0	257 0	−2 0	−

Professional Life Assurance Co Ltd (z)

Skandia Hse, Portland Terr, Southampton 0703 232323

[illegible]

Provident Mutual Life Assc. Assn. – Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Pension Funds				
Managed Ord	442 3	465 6	−3 7	−
Managed Init	322.0	338 9	−2.9	−
Equity Ord	669 3	704 5	−4	−
Equity Init	487.4	513 1	−6 5	−
Pen Ind Lkd Gilt Ord	186.9	196.7	−0 4	−
Pen Ind Lkd Gilt Init	142.2	149.7	−0 1	−
Overseas Equity Ord	282.5	297 4	−2.5	−
Overseas Equity Init	205 7	216.5	−1 9	−
Property Ord	280 9	295.7		−
Property Init	204 6	215 4	+0 1	−
Fixed Interest Ord	293.2	308.6	+0.3	−
Fixed Interest Init	213 5	224 7	+0 2	−
Deposit Ord	270.2	284.4	+0 1	−
Deposit Init	196 7	207.1		−

Prudential Assurance Co

Holborn Bars London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or −	Yield Gross
Prufund				
Managed Jul 22	247.5	257 9	−0 01	−

Prudential Corporate Pension Funds

1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	+ or −	Yield Gross
Prudential Managed Funds				
Discretionary Jul 15	£182.05	187 91		−
Equity Jul 15	£209 06	216 21		−
International Jul 15	£25 91	26 63		−
Intl Bond Jul 15	£14.10	14.31		−
Fixed Int Jul 15	£106.52	107 73		−
Index Linked Jul 15	£77 48	78.46		−
Property Jul 15	£109 63	115 68		−
Cash Jul 15	£30 9322	30.9322		−
Pru-Linked Retirement Plan				
Managed Jul 21	427.3	445 2	−10.7	−
Cash Jul 21	284.6	296 5	+0 7	−
Prudential Pensions Investment Account				
Pens Mngd Jul 22	171 3	184 2		−
Pens UK Eq Jul 22	301 2	324 7		−
Pens Intl Jul 22	183.9	197 8		−
Pens Global Eqty Jul 22	94 9	99 9		−
Pens Fixed Jul 22	241 1	254 5		−
Pens Index Lk Jul 22	194.4	205.3		−
Pens Property Jul 22	89 6	94 4		−
Pens Cash Jul 22	185 7	195 5		−
Money Purchase Plan				
Discretionary Jul 22	95 3	102 2	+0 4	−
Equity Jul 22	99 0	106.3	+0 4	−
International Jul 22	81 1	86 7	+0.5	−
Global Equity Jul 22	93 2	100 1	+0.6	−
Intl Bond Jul 22	95 4	100.5	+0 3	−
Fixed Interest Jul 22	111 9	117 6		−
Index Linked Jul 22	103 1	108.6	−0.3	−
Property Jul 22	99 0	108 6		−
Cash Jul 22	105 8	111 1	+0 1	−

Prudential Individual Life Funds

1 Stephen St, London W1P 2AP 071-548 3287

[illegible]

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

[illegible]

Sun Alliance Group

St Mark's Court, Horsham 0403 232323

[illegible]

Windsor Life Assur Co Ltd – Contd.

[illegible]

Royal Life Intl. Ltd – Contd.

[illegible]

Fidelity Money Funds – Contd.

[illegible]

Sarasin Funds Mngmt (Guernsey) Ltd

PO Box 249, St Peter Port, Guernsey 0481 725021

[illegible]

Schroder Investment Mngmt (Guernsey) Ltd

PO Box 255, St Peter Port, Guernsey 0481 718651

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

GUERNSEY (REGULATED**)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED**)

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Fund Managers (IoM)						
PO Box 32, Douglas, IoM 0624 627610						
IoM Grth	5¼	458.7	458.7	491.8	-4.3	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM 0624 661020						
LJ International	5¼	86 83	86 83	93.26	-0.18	-
Mercury Fund Managers IoM Ltd						
11 Hill Street, Douglas IoM 0624 662255						
Merc IoM Fund	5	99.00	99.00	105.6	-0.20	6.2
Merc Intl Bond	5	50 52	50.52	53.12	-0.09	8.7
Sun Life Management (IoM) Ltd						
PO Box 178, Douglas, IoM 0624 622444						
Sitare High Income	6	1.0532	1.0532	1.1292	[illegible]	7.97
Unibank Scandinavian Fund Ltd						
23 Bucks Road, Douglas, IoM 06246 26484						
Scandinavia Fd	5	-	129.87	137.58	....	1.0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Grs
ATC Fund Management (SG) Ltd				
SG International	$10 99		....	-
Appleton Financial Advisors Ltd				
Appleton Capital Trust	94.0	100.0	....	-
CMI Fund Mngrs (IOM)				
Traders Fund Ltd	$17.11	18.50	-0 0005	-
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				
Beckman Option & Warrants	0.50	0.58	+0.01	0 00
Beckman Option & Warrants $	0.96	1.11	+0.03	0.00
Beckman Reserve Assets	107	107	+1.00	2 64
Duncan Lawrie Inv. Mgt. Ltd				
DL Sterling	124 0	130.3	....	5.2
DL International	51.48	1.57	....	2.2
Equity & Law International Fund Mgr Ltd				

Equitilink International Mngt Ltd

Fidelity Investment (CI) Ltd

Sterling American 2.459 2.587

Fleming Group

Robert Fleming Management (Jersey) Ltd

Deutschland Inv Co NAV DM16.53

Foreign & Colonial Mngt (Jersey)

Hypo Foreign & Colonial Reserve Asset Fd Ltd

US$ Cash	$10 76
Sterling Cash	£12.10
US$ Bonds	$15.22
Multicurrency Bonds	$20.65
Sterling Bonds	£13.45
D Mark Bonds	DM10.55
Ecu Bonds	Ecu11.43
UK Equities	£9.79
US Equities	$16.50
Japanese Equities	Y548
Contl Euro Equities	DM16.07
UK Negative Equities	£13.52
US Negative Eq.	$10.10
Japanese Negative Eq.	Y1058
Cont Eur Negative Eq.	DM-
UK Geared Equities	£-
US Geared Equities	$10.23
Japanese Geared Eq.	Y-
Contl Euro Geared Eq.	DM-

John Govett Management (Jersey)

Govett's Emer Co NAV July 16	$10 48
Green Sealing Fd NAV Jul 17	$8.69
Paragon Fd NAV Jun 30	$10.54
Paragon Redemption	$9.91
Hungarian Inv Co Jun 30	105.42

For Holborn Fund Mngrs see Prudential

INVESCO MIM International Limited

All Funds deal daily except where indicated

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling continues to weaken

STERLING continued to perform nervously against the D-Mark yesterday after Germany's figure for June M3 money supply came in at 8.7 per cent, *writes James Blitz.*

The fear that the Bundesbank will lift its Lombard rate when its council meets next month continues to hang over the pound. A poor set of UK trade figures for June also depressed the currency, with the visible trade deficit widening by £0.1bn from the previous month. Yesterday, sterling declined a pfennig from its previous close to DM2.8325.

A worrying feature of the pound's performance is that it is the only currency in the European exchange rate mechanism which continues to weaken against the D-Mark following Monday's concerted intervention in the market by the US Federal Reserve and the European central banks.

The Italian lira showed some improvement against the D-Mark, firming to L758.2 from a previous L759.4. The Spanish peseta strengthened to Pta64.10 to the D-Mark from Tuesday's Pta64.16 close, while the French franc steadied against the German currency, ending unchanged at FFr3.378.

The underlying problem for sterling is that most of the central banks with high-yielding currencies have tightened either fiscal or monetary policy to withstand the D-Mark's rise.

The Bank of Spain appeared to be tightening monetary policy yesterday by draining overnight funds from the interbank market at 12.75 per cent, compared to 12.45 per cent previously. The Italians have raised their discount rate by 1.75 percentage points in the last two weeks, and are also attempting to slim down their budget.

Yesterday's announcement of a tighter fiscal package by the UK government may have an effect on sterling in the next few days.

Dollar/D-Mark trading was sidelined yesterday, with most traders confident that Monday's central bank intervention will keep the US currency trading in tight ranges for a while. The dollar moved between DM1.4780 and DM1.4900, closing unchanged at DM1.4885. Mr Alan Greenspan's testimony on the US economy continued to have little effect on the currency, but unfounded rumours that the United Nations had started military operations against Iraq brought support. The dollar ended in New York at DM1.4852.

The yen was lower against both the D-Mark and dollar yesterday following the resumed slide in the Japanese stock market which left the Nikkei average at a six-year low of 15,542. As a result, the dollar moved up to Y127.20 at the start of European trading from an opening of Y125.25. It ended in London at Y126.85. The D-Mark rallied to a closing Y85.25 in Europe from an opening of Y84.07. In New York the US unit closed at Y126.68.

£ IN NEW YORK

July.22	Close	Previous Close
£ Spot	1.9060-1.9070	1.9090-1.9100
1 month	1.10-1.09pm	1.13-1.12pm
3 months	3.30-3.27pm	3.21-3.19pm
12 months	11.40-11.30p	11.25-11.15p

Forward premiums and discounts apply to the US dollar

STERLING INDEX

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 22	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	174.088	−2.60	5.89	42
Spanish Peseta	133.631	130.753	−2.15	5.41	36
Belgian Franc	42.4032	41.9929	−0.97	4.15	33
D-Mark	2.05586	2.03862	−0.84	4.01	35
Dutch Guilder	2.31643	2.29850	−0.77	3.94	24
Irish Punt	0.767417	0.765131	−0.30	3.45	0
French Franc	6.89509	6.88317	−0.17	3.32	−6
Danish Krone	7.84195	7.85276	0.14	3.00	−20

CURRENCY MOVEMENTS

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY RATES

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

Malaysia	4.7535 - 4.7655	2.4980 - 2.4990
Mexico	5710.50 - 5723.25	3113.50 - 3114.50
N.Zealand	3.4720 - 3.4765	1.8225 - 1.8250
Saudi Ar	7.1425 - 7.2195	3.7495 - 3.7505
Singapore	3.0675 - 3.0750	1.6130 - 1.6140
S.Af (Cm)	5.2495 - 5.3615	2.7590 - 2.7610
S.Af (Fn)	7.3840 - 7.4265	3.8760 - 3.8985
Taiwan	47.75 - 47.85	25.05 - 25.15
U.A.E.	6.9940 - 7.0715	3.6715 - 3.6735

*Floating rate. Iran Official rate £120.30 $63.95

EXCHANGE CROSS RATES

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100

MONEY MARKETS

Bearish sentiment

SENTIMENT IN the sterling money markets remained bearish yesterday after the June figure for Germany's M3 money supply growth came in at 8.7 per cent, well above the Bundesbank's target.

Dealers fear that monetary growth will force the German central bank to raise the Lombard rate when it meets again next month. There was light relief in the market after the Bundesbank decided to inject *DM7.7bn into the banking system,* in what was seen as an attempt to push German call money rates away from the Lombard rate of 9.75 per cent. But there is still an outside chance of another monetary tightening.

UK clearing bank base lending rate 10 per cent from May 5, 1992

The market was also unnerved by the Bank of Spain's decision to drain *overnight funds from the* interbank market at 12.75 per cent, compared to 12.45 per cent previously. The move was interpreted as signalling monetary rigour.

Both the German and Spanish developments are certain to put pressure on *sterling in the European* Monetary System, and the pound again looked weak yesterday, closing a pfennig down on the day. One clearing bank dealer said the UK June trade figures, which showed a widening of the visible trade deficit to £0.9bn, had little effect on the money market. "Sentiment now is driven by Germany and the EMS issue, and little else," he added.

Cash rates ended mostly unchanged, with everything *from two-month money out to* one-year at 10 5/16 per cent on the offered side. The flat yield curve indicated how bearish dealers are about the chance of a base rate cut, even in the long term.

Futures trading was more exciting. The September short *sterling contract opened at* 89.73 and ranged up to 89.78 in the morning on technical trading. The German M3 news quickly pushed it down, as did rumours that the Bank of Italy will devalue at the weekend. The front-month contract closed at its low of 89.67.

The Bank of England's operations were straightforward after the authorities forecast a shortage of £550m. The Bank purchased £403m of Band 1 bank bills at the established rate of 9¾ per cent. In the afternoon, the Bank bought £146m of Band 2 bank *bills, also at 9¾ per cent.*

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

Estimated volume 64,986 Prev. day Total Open Interest 513,157

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

The European Warrant Fund

NOTICE OF MEETING

THE EUROPEAN WARRANT FUND
Société d'Investissement
45 rue des Scillas
L-2529 Luxembourg-Howald

NOTICE is hereby given to the Shareholders that the ANNUAL GENERAL MEETING of THE EUROPEAN WARRANT FUND ("the Fund") will take place at the Fund's Registered Office at 45, rue des Scillas, Howald, Luxembourg on Friday, 31st July 1992 at 4.00 p.m. with the purpose of considering and voting upon the following agenda:

1. Submission of the Report of the Board of Directors;
2. Approval of the Annual Report for the year ended 31st March 1992;
3. Discharge of the Directors;
4. Election of Directors and Auditors;
5. Any other Business.

AN EXTRAORDINARY GENERAL MEETING, of the Shareholders of the Fund will take place immediately thereafter at 5 p.m. to consider the following agenda:

Amendment to Article 23 of the Articles of Incorporation by deletion in the first sentence of the words "or previously repurchased shares of the Corporation shall be offered by the Corporation for sale" and by insertion of a new sentence which shall read as follows: "In the event of a resale of shares previously repurchased by the Corporation, the sales price to be received by the Corporation for such shares may be lower than the net asset value thereof, but shall not be lower than the lowest bid price quoted on the stock exchanges where the shares are listed."

A letter to Shareholders explaining the reasons for the change to the Articles is available upon request at the registered office of the Fund.

Resolutions on the agenda of the Annual General Meeting will require no quorum and will be taken at the majority of the Shareholders present or represented. Resolutions on the agenda of the Extraordinary General Meeting will require a quorum of 50 per cent. of the shares outstanding and will be taken at ⅔ majority of the votes cast.

A Shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a Shareholder of the Fund.

BY ORDER OF THE BOARD

TR WORLDWIDE STRATEGY FUND

Registered Office : 13 rue Goethe
L-1637 Luxembourg
R.C. Luxembourg B 28.887

NOTICE OF SUSPENSION IN DEALING

It is hereby advised that dealing in the Japan Fund, the Far East Fund, the UK Blue Chip Fund and the UK Special Opportunities Fund will be suspended on Monday, 20th July 1992. This arrangement is approved by the Directors to ensure an equitable dealing policy.

Appointments Advertising

appears every Wednesday & Thursday Friday (in the international edition only)

MONEY MARKET FUNDS

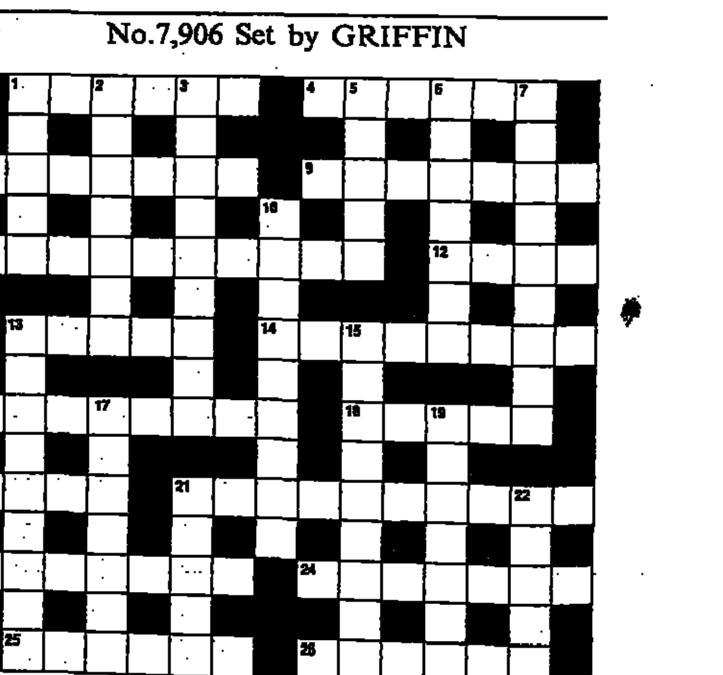
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,906 Set by GRIFFIN



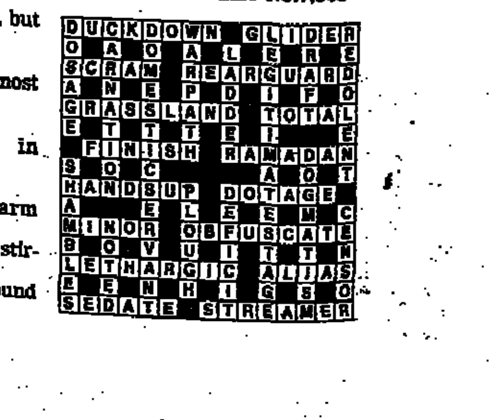
ACROSS

1 Voucher for credit – get £1,000 off! (6)
4 Wine vaults? (6)
8 Grasping back pill approach animal (7)
9 Left in attractive railway canteen (7)
11 Is put to be shuffled and dealt out as required (10)
12 Eager Asian guerrilla leaders retreating shot (4)
13 "She's back!" I grumble (5)
14 One loveless stranger is even embracing an Austrian (8)
16 Whispered "the money's outside" (8)
18 Irishman's temper (5)
20 Weeps "that smell's back on board!" (4)
21 They kill stray fishermen, but not always (10)
23 Row about stray dog (7)
24 Pink gin poured out for most important person (7)
25 Fight to let us sleep in (6)
26 Extremely good man in church room (8)

DOWN

1 Leaflet on model farm vehicle's turned up (5)
2 When in company plays stirring music (7)
3 He mills one for coming round to decorate (9)
5 Plump for a game of golf (5)
6 House burning is criminal (7)
7 Lousy rise thrown out in earnest (9)
10 In Everest touring party he's the one unloading things (9)
13 Thinnest weapon in a weapon emplacement (9)
15 Divorcee writes "I have, dear" (9)
17 Fool certainly accepts guarantees (7)
19 Joy puts front door key by window (7)
21 Wave from a toff (5)
22 Carrying in beam that's wet (5)

Solution to Puzzle No.7,905



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Jul 22	Jul 21	Jul 20	Jul 17	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3277.61	3308.41	3303.00	3331.64	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	(u)	101.44	101.39	101.17	101.44 (21/7)	98.41 (20/3)	101.44 (21/7/92)	54.99 (1/10/81)
Transport	1270.89	1291.77	1284.87	1302.88	1467.68 (20/2)	1270.89 (22/7)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.14	218.20	218.89	220.08	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

Day's High 3308.68 (3335.96) Low 3262.75 (3292.47)

STANDARD AND POOR'S

	Jul 22	Jul 21	Jul 20	Jul 17	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	410.93	413.76	413.75	415.62	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	481.91	485.61	485.26	488.27	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	35.92	36.07	36.07	35.80	36.65 (10/7)	32.40 (8/4)	36.65 (10/7/92)	8.64 (1/10/74)
NYSE Composite	226.13	227.47	227.51	228.51	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	383.17	384.82	384.52	386.55	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	563.88	568.63	564.28	570.52	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Jul 17	Jul 10	Jun 26	year ago (approx.)
Dow Industrial Div. Yield	3.13	3.13	3.14	3.04

	Jul 15	Jul 8	Jul 1	year ago (approx.)
S & P Industrial div. yield	2.64	2.68	2.66	2.96
S & P Indl. P/E ratio	28.95	28.45	28.74	16.95

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Computer Assoc	3,847,500	13¼	+ 2¼
Compaq Computr	3,740,100	27⅛	+ 3
Chase Manhttn	3,413,600	25⅞	- ½
Syntex	2,547,800	31⅝	- 1
Gen Motors	2,540,700	38¼	- 1⅛
GTech Hldgs	2,455,200	18	...
Symbl Tech	2,400,300	14½	- 3½
Ford Motor	2,174,400	42¼	- 1¼
Upjohn	2,105,600	34¼	+ 1⅜
Chemical Bkg Co	1,972,400	34⅞	- 1¼

TRADING ACTIVITY

† Volume (Millions)	Jul 22	Jul 21	Jul 20
New York SE	191.421	173.800	165.730
Amex	10.451	15.784	9.800
NASDAQ	(u)	155.318	117.834
NYSE			
Issues Traded	2,296	2,297	2,295
Rises	644	885	603
Falls	1,059	848	1,123
Unchanged	593	564	569
New Highs	44	57	45
New Lows	30	31	29

CANADA

TORONTO	Jul 22	Jul 21	Jul 20	Jul 17	1992 HIGH	1992 LOW
Metals & Minerals	3126.11	3140.34	3159.61	3179.63	3238.87 (16/1)	2828.26 (8/4)
Composite	3412.10	3425.21	3452.60	3463.00	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1799.75	1803.04	1826.50	1838.72	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

**Saturday July 18: Taiwan Weighted Price 4248.55, Korea Comp Ex 505.64
& Subject to official recalculation. *Calculated at 15.00 GMT
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 22 July 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Milk	4.9m	895	-35	Ricoh Co	2.4m	516	-9
Toshiba Corp	3.0m	587	-15	Mitsui Min	2.2m	382	-40
NPN Steel Corp	2.6m	364	-4	Taiyo Fishery	1.9m	435	-17
Mitsubishi Hvy	2.5m	510	-23	Matsushita E	1.9m	1,200	
Hitachi	2.4m	748	-4	Fujitsu Ltd	1.8m	569	-14

(Excuse us for asking)

IS THIS YOUR OWN COPY OF THE FINANCIAL TIMES?

Or do you rely on seeing someone else's? The FT is read by four times as many senior European businessmen and women as any other international newspaper.* Make sure you're one of them by getting your own copy daily.

*EBRS 1991

OUR SPECIAL INTRODUCTORY SUBSCRIPTION OFFER IS AVAILABLE NOW!

For more details please call Gillian Hart in Frankfurt on 49 69 156850.

FINANCIAL TIMES

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4:00 pm prices July 22

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11⅞	AAR Corp	0.48	3.7	20	430	13	12½	12⅞	-⅛
26	18⅛	A L Labs A	0.18	1.0	74	151	18⅞	18½	18½	-⅞
68¼	52⅝	AMP Inc	1.52	2.9	21	1722	54⅛	d52⅝	53¼	-1⅛
80¼	60⅞	AMR				234833	64½	63⅛	63¼	-1⅝
2⅛	1⅞	ARX			2	20	1¼	1¼	1¼	
53½	39¼	ASA	2.00	4.8	27	305	42¼	41½	41⅞	+⅛
34¼	26⅛	Abbott Lab	0.60	2.1	20	8846	29⅝	28⅞	29⅛	-⅛
13⅞	12	Abitibi Pr	0.50	3.9	8	2	12⅞	12¼	12¾	-⅛
11⅝	10⅛	ACM Gvt In	1.11	9.9		108	11⅛	11¼	11¼	
10⅞	9⅛	ACM GvOpp	0.94	9.6		25	9¾	9¾	9¾	
9½	8½	ACM Gvt Sp	0.92	9.8		281	9⅜	9¼	9⅜	
11¼	10⅛	ACM Gvt Se	1.13	10.4		256	11	10⅞	10⅞	
10	8⅝	ACM Man	0.98	10.1		111	9⅞	9¾	9¾	
12⅞	10⅝	ACM Managd	1.21	10.8		102	11¼	11⅛	11¼	+⅛
11¾	4¾	Acme Cleve	0.40	6.0	22	631	6¾	6⅜	6⅝	+¼
6¼	4⅞	Acme Elect			4	7	5	4⅞	4⅞	-⅛
33¾	18⅛	Acuson			12	1024	19	18⅞	18⅞	+⅜
19½	18⅛	Adams Expr	1.63	8.8	0	280	18⅝	18⅜	18½	-⅛
49⅛	29½	Ad Micro	3.00	8.8		86	34⅞	34	34	-⅛
21½	7½	Ad Micro P	3.00	34.8		32966	8⅞	8⅝	8⅝	-⅛
9⅛	5	Advest Grp	0.16	2.9	78	111	5⅞	5½	5½	-½
37¾	33	Aegon ADR	1.68	4.7	6	12	36½	36	36	-⅛
47	38⅞	Aetna Lf	2.76	6.4	8	1215	43⅞	43	43⅛	

Continued on next page

NYSE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
47⅛	40¼	Scecorp	2.80	6.2	13	1361	45½	45	45⅛	-⅛
68	49⅞	ScheringPl	1.56	2.7	17	2840	57⅛	56⅜	57	+⅛
68⅞	62¼	Sch'berger	1.20	1.9	17	4271	63	61⅝	62⅛	-½
37¼	20⅜	Schwab(C)	0.24	1.0	11	1025	23	22⅞	23	
10⅞	6¼	Schwitzer			56	40	7⅛	6⅞	7	
25⅞	15¼	SclentAtln	0.16	0.7	169	867	24⅞	24⅜	24½	-½
10⅝	7⅛	Scotman	0.10	1.2	86	20	8⅜	8½	8⅜	
46	34½	ScottPaper	0.80	2.0	53	1396	39½	39⅛	39¼	-⅛
17½	13⅝	ScuddrNAsF	0.22	1.4		7	15½	15½	15½	+⅛
9½	8⅝	ScuddrNEuF	0.30	3.2		97	9¼	9⅛	9¼	
24	16	Sea Cont	0.70	3.2	10	118	21⅝	21	21⅝	+⅝
16¾	14⅞	SeaC1.4625	1.46	9.4		2	15¼	15¼	15½	+⅛
31	26⅞	Seagram Co	0.14	0.5	16	2695	29⅛	28⅝	28¾	-½
28½	21⅝	Seagull En			62	370	27¾	27½	27⅝	+⅜
56⅞	43¼	Sealed Air			26	77	49¼	49⅝	49⅝	-¼
23	12⅛	SPX Corp	0.40	1.8	30	156	22½	22⅛	22¼	
48	37	Sears Roeb	2.00	5.2	10	4714	38⅝	38⅛	38¼	-⅛
12⅞	11⅞	Seligm Sel x	0.84	6.7		63	12⅝	12½	12½	
31⅛	24⅜	Sensormat	0.30	1.2	22	2620	25	d24	24½	-⅛
51	36¼	Sequa A	0.60	1.5	48	85	41½	41	41	-1
58	45½	Sequa B	0.50	1.0	28	31	50	49½	49⅞	
18¾	15¾	ServiceCpI	0.40	2.3	16	1684	17⅝	17½	17½	-⅛
27⅞	22	Servicemr	1.16	4.3	15	150	27⅝	27⅛	27½	+⅛
28⅞	17	Shaw Ind	0.30	1.3	25	696	24⅜	23⅝	23⅝	-⅛
19¼	8⅞	Shawmut Nt	1.00	6.3	27	1760	16⅞	16½	15⅞	
10¼	8⅜	Shelby Wh	0.24	2.9	35	65	8⅛	8¼	8¼	
57⅞	45⅝	Shell Tr&T	2.57	4.7	12	534	54⅞	54⅜	54½	-⅝
30¼	26⅜	Sherwin Wl	0.44	1.6	17	913	28	27⅞	28	

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28½	24⅞	Xtra 1.94	1.94	6.8		5	28¼	27⅞	28¼	
37	28½	Xtra Corp	0.80	2.3	13	183	35⅝	35¼	35½	-⅛
28	25¼	Yankee Egy	1.66	6.0	12	14	u28⅛	27⅞	27⅞	
1½	½	Zapata				50	863	1	[illegible]	1
11⅛	6¾	ZenithElec			5	654	7⅞	7¼	7⅞	
19½	14½	Zenith Nat	1.00	5.7	8	32	17⅝	17⅛	17½	+⅛
7⅛	6	Zenix Inc y	0.84	12.0		278	u7⅛	6⅞	7	+⅛
13¾	10	Zero Corp	0.40	3.4	19	157	12	11⅝	11⅞	+¼
38	27¾	Zurn Ind	0.88	3.1	31	161	28⅝	28½	28½	-⅛
14⅛	12	Zweig Fund	1.15	9.0		200	12¾	12⅝	12¾	
11	9½	Zweig Totl	0.96	9.4		1409	10⅜	10⅛	10¼	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices July 22

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Cal Engy		14	346	11⅞	11¾	11⅞	
Calprop		0	10	1¾	d1⅝	1¾	
Can Marc	0.24	13	2	13⅝	13⅝	13⅝	
Chmbrs A		8	1153	7⅜	7¼	7¼	-⅛
Chambers		9	90	7⅜	7⅜	7⅝	-⅛
Champion		37	37	3⅜	3⅜	3⅜	
Chiles		0	20	1⅛	1	1⅛	+⅛

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Hasbro	0.20	18	906	28⅜	28⅛	28½	
Health Ch		8	63	1⅜	1⅝	1⅝	
Healthvst		187	73	1⅞	d1⅝	1⅞	+⅛
Hasco Cp	0.15	17	z100	12⅞	12⅞	12⅞	
Hlthaven		2	297	2⅛	d2⅛	2⅛	

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Oddetics A		267	21	5½	5½	5¼	+⅛
Olsten	0.24	27	32	27⅛	27	27⅛	+⅛
OMI Corp	0.14	7	z0	0	d0	6⅝	
Pall Corp x	0.36	27	292	26⅞	26½	26⅞	+⅛
Pegasus G	0.10	42	1924	16⅛	15⅞	16	+⅛
Perini	0.80	26	16	12⅜	12¼	12¼	-⅛
Pet Ht&P	1.14	16	7	15	15	15	
Phil LD	0.21	16	85	39⅜	39¼	39⅜	-⅛
Pittway A	1.10	15	71	29	28¾	28⅞	-⅛
Ply Gem	0.12	22	13	11	10⅞	10⅞	-¼
PMC	0.66	15	5	10¼	10¼	10¼	-⅛
PresidioA	0.10	1	47	1⅞	1⅞	1⅞	

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Vivigen		38	293	16	15½	15½	-¼
WangLab C		1	54	4⅞	d4⅝	4⅞	+⅛
WangLab B		1	1839	3⅛	3	3⅛	
Weatherfd		15	70	5	5	5	
Wesmer r	0.52	10	36	u22¼	21¾	21¾	-¼
WIRET	1.12	15	102	12⅞	12½	12⅞	+⅛
Worthen	0.05	9	318	21	20⅞	21	
Xytronix		6	4	8⅞	8⅛	8⅛	

GET YOUR FT HAND DELIVERED IN COPENHAGEN, AARHUS AND ODENSE.

If you work in the business centres of Copenhagen, Aarhus and Odense, we'll deliver your daily copy of the FT to your office at no extra cost. Call Erna Pio for details on Copenhagen 3313 4441.

NASDAQ NATIONAL MARKET

4:00 pm prices July 22

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
WPP Group	1.11	1	532	1 1/16	1 7/16	1 9/16	+1/16
Wyman-Gdn	0.40	0	806	4⅛	4	4	

- X - Y - Z -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Xilinx		22	562	21¼	20¼	20½	-¾
Xoma Corp		7	1348	14	13¼	13¼	-¾
Yellow Fr	0.94	20	2088	25⅛	24⅛	24½	-⅝
York Rsch		4	375	4¾	4½	4½	-¼
ZionsUtah	1.44	11	z100	56¼	54½	56	

BUSINESS LOCATIONS IN EUROPE

The FT proposes to publish this survey on

October 21 1992.

The Financial Times reaches more senior European business executives whose job responsibilities involve taking strategic decisions about the international operations of their company than any other English language international publication.*

For more information on how to reach this important audience, please contact

Elizabeth Vaughan
Tel: 071-873 3742
Fax: 071-873 3428
or write to her at
Financial Times Ltd.,
Number One
Southwark Bridge,
London SE1 9HL

or contact your usual Financial Times representative.

*Data source * EBRS 1991*

FT SURVEYS

AMERICA

Foreign losses spark selling in New York

Wall Street

LOSSES ON overseas equity markets, prompted by concern about the global economy, led to heavy selling of US stocks yesterday, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was down 30.80 at 3,277.61, its lowest level for more than a month. The Standard & Poor's 500 fell 2.83 to 410.93, while the American SE composite lost 1.65 to 383.17 and the Nasdaq composite 4.75 to 563.88. Turnover on the New York SE amounted to 191m shares.

In Tokyo overnight, stocks fell to their lowest levels for six years, which sparked a sell-off in major European markets. That set the tone for a weak opening in the US, and within the first few minutes the Dow had registered a 20-point decline.

The selling spread throughout the market and, as on Monday, motor shares were particularly weak.

Ford receded $1¼ to $42¾ in turnover of 2.2m shares, General Motors weakened $⅞ to $38⅞ in similarly active trading, and Chrysler slipped $½ to $18½.

Bankers Trust climbed $⅝ to $61¼ on news of an 11 per cent gain in second quarter net income to $205m. Banc One dipped $¾ to $43⅞ after announcing the $125m acquisition of Illinois-based First Community Bancorp, which forged ahead $8¼ to $26¼, and a joint venture with three other regional banking groups to form an electronic payment services company.

Other bank stocks lost ground, with Wells Fargo retreating $1⅞ to $69½, Chemical $1⅛ to $34⅞, BankAmerica $⅞ to $44⅞ and Chase Manhattan $½ to $25⅞.

Compaq jumped $3⅛ to $27¾ on reporting second quarter net income of 35 cents a share, up from 23 cents and well above the 29 cents expected by analysts.

Upjohn rose $1¼ to $33¾ in active trading after the company said its scientists had created a compound which it believed is more potent in blocking the growth of the HIV virus than its AZT drug.

Harley-Davidson advanced $2¼ to $27⅞ on news of second quarter operating income of 49 cents a share, up from the 45 cents recorded a year earlier.

MEXICO'S stock market fell 1.3 per cent in early trading yesterday, dragged down by a 2.3 per cent drop in both Telmex and Cemex B shares.

Cemex CPO shares – those held in a special trust for foreign investors – were down 10 per cent at one point, as Morgan Stanley, previously a staunch Cemex supporter, failed to endorse the company in a report. By 10.30 am local time they had recovered to stand 5.3 per cent lower.

Foreign investors have reacted negatively to Cemex's recent decision to buy Spain's two largest cement companies, Sanson and Valenciana.

Canada

TORONTO closed lower after moderate trading. The TSE 300 index declined 13.1 to 3,412.1, while falls outscored advances by 305 to 238 after volume of 23.9m shares valued at C$317.7m.

Imperial Oil gained C$¼ to C$44⅜. The company reported a second-quarter profit of 30 cents a share, compared with year-earlier earnings of 3 cents.

SOUTH AFRICA

JOHANNESBURG fell in line with world markets, though a late rise in the gold price limited the drop in the gold index to 10 points, closing at 1,111. The industrial index fell 57 to 4,156 and the overall index dropped 44 to 3,385.

EUROPE

Fears of further German rate rise upset bourses

FEARS that the Bundesbank would be forced to raise the Lombard rate added to the negative factors weighing on continental equities, *writes Our Markets Staff.*

FRANKFURT was depressed by disappointing money supply figures, a downgrading of Thyssen and poor car registration figures for the first half. The DAX fell 31.55 or 1.9 per cent to 1,628.22, its lowest close since mid-January, while the FAZ was 7.28 lower at 649.04 by midsession. Turnover fell to DM6.3bn from DM6.9bn.

The 8.7 per cent growth in M3 money supply in June, little changed from May, upset the market which had hoped for a month-on-month decrease.

There was active trading in Thyssen after analysts cut their recommendations from hold to sell following a meeting with the steel group on Tuesday. Analysts are now forecasting that Thyssen will cut its 1991/92 dividend by up to DM2 from DM10 a year earlier. The shares lost DM15.40 or 6.9 per cent to DM207.60, but off the day's low of DM205. Other steel groups weakened with Hoesch down DM6.10 at DM235 and Kloeckner-Werke losing DM8.50 to DM100.

Car shares fell after the release of figures showing a 9.2 per cent decrease in new registrations for the first six months. Daimler-Benz lost DM14 to DM705.50, Volkswagen fell DM9.90 to DM354 and BMW shed DM5.50 to DM538.50. After the close, Volkswagen said that its share of the West European car market had risen to 17.8 per cent in the first half of 1992 from 16.7 per cent last year.

FT-SE Eurotrack 100 - Jul 22

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1065.85	1064.92	1064.28	1058.88	1058.08	1059.72	1059.80	1060.97

Day's High 1065.89 Day's Low 1057.34

Jul 21	Jul 20	Jul 17	Jul 16	Jul 15
1075.64	1064.04	1097.57	1120.48	1122.53

Base value 1000 (26/10/90)

PARIS dropped to its lowest level since Christmas, as the CAC-40 index ended 35.18 or 2 per cent lower at 1,727.49 on turnover of FFr2.63bn.

Alcatel remained busy on arbitrage-related business, falling FFr11 to FFr613, but the FFr31 fall in BSN to FFr1,059 reflected genuine disinvestment by investors reducing their exposure to the market. An increasingly bleak outlook for the luxury goods market prompted selling of LVMH which closed FFr102 lower at FFr3,463.

Euro Disney fell a further FFr2.75 to FFr97.25 on a growing consensus that the theme park operator would have to reduce prices.

MILAN continued to fall, with the banking sector particularly badly hit by fears of mounting bad debts following last Friday's compulsory winding up of Efim, the state industrial holding group. The Comit index fell 1.95 to 409.76 in turnover estimated at L100bn after Monday's L136bn.

The banking sector fell 1.85 per cent, with Banca Commerciale Italiana, which is said to have the biggest exposure to Efim among the domestic banks, falling L119 or 4.7 per cent to L2,401. Credito Italiano and San Paolo, which reportedly have smaller loans to Efim, fell L40.5 and L25 to L1,310 and L10,075 respectively.

Benetton dropped L840 or 7.3 per cent to L10,700 on a domestic newspaper report that the company had sacked its managing director. After the close the company confirmed that Mr Emilio Fossati had resigned, but under amicable circumstances.

ZURICH was generally weaker and the SMI index declined 27.4 or 1.5 per cent to 1,757.1. Union Bank led the sector lower and its bearers fell SFr7 to SFr684. Among insurers, Zurich bearers lost BFr20 to BFr1,795.

AMSTERDAM retreated, the CBS Tendency index closing down 1.1 at 116.5.

Fokker fell 40 cents to Fl 29.20 on fears that talks between Dasa of Germany and the Dutch government might break down when they resume today.

Among multinationals Unilever lost Fl 2.40 to Fl 180.80 and Royal Dutch shed Fl 1.30 to Fl 145.80.

BRUSSELS caught up with world markets after its two-day holiday, the Bel-20 index falling 25.49 or 2.2 per cent to 1,145.35, its lowest level since January 14. Petrofina fell BFr200 or 1.8 per cent to BFr10,750.

VIENNA fell back, in line with major bourses. The 18-share ATX index lost 8.76 to 803.95. Erste Allgemeine ordinaries fell Sch80 to Sch3,020, but preference shares rose Sch45 to Sch1,880 after the insurer reported improved 1991 profits.

MADRID's general index fell 4.46 or 2 per cent to 216.10 as the market reacted negatively to the government's measures to reduce the budget deficit. In the construction sector FCC lost Pta500 to Pta6,300 and Cubiertas was Pta190 lower at Pta5,390.

STOCKHOLM was driven lower by a wave of selling in the final 30 minutes. The Affarsvärlden index shed 9.0 to 851.1 as turnover remained low at Skr292m.

OSLO's all-share index dropped 4.22 or 1.1 per cent to 373.89 in low turnover of NKr117.08m. Norsk Hydro lost NKr3 to NKr145 while Saga Petroleum A shares shed NKr2 to NKr61.5.

ISTANBUL fell 1.3 per cent in trading which concentrated on minor shares. The 75-share index closed down 51.71 at 4,091.90.

ASIA PACIFIC

Nikkei closes at its lowest level since April 1986

Tokyo

GROWING pessimism about the economy and corporate earnings prompted a fall in the futures market, and the Nikkei average dropped 2.8 per cent to its lowest level since April 1986, *writes Emiko Terazono in Tokyo.*

The 225-issue average closed 460.46 down at 15,541.95 on futures-linked arbitrage unwinding and short-selling by investors. The index rose to the day's high of 16,059.61 soon after the opening, encouraged by Tuesday's Wall Street showing. But a fall in the futures market triggered weakness in cash prices, and the Nikkei tumbled to the session's low of 15,432.36 in the afternoon.

Volume increased to 250m shares from 205m, but market participants said the bulk of activity was futures-related. Declines led rises by 876 to 108, with 113 stocks unchanged. A total of 213 issues fell to new lows for the year. The Topix index of all first section stocks lost 23.63 to 1,205.75, and in London the ISE/Nikkei 50 index slipped 6.06 to 940.11.

Worries about a prolonged slump in the economy and possible downward revisions in corporate earnings sent jitters through the market. Mr Hiromichi Ishikawa, managing director at Yamaichi Securities, commented: "The market will not rebound until we can see a real recovery."

Nippon Life said institutions, especially life assurers, would not commit funds until they believe the risk in the market has faded. "With most of the unrealised gains on stock holdings lost, life assurers cannot take risks on investments," said an analyst.

Analysts said banks, which faced problems meeting capital ratios set by the Bank for International Settlements due to the sharp decline in hidden assets, were trying to reduce exposure to the stock market by selling futures contracts. Mr Jason James, strategist at James Capel, said: "It is a vicious cycle since a fall in the futures market in turn depresses the cash market."

Market participants have become increasingly bearish towards the electronics sector, following last week's disappointing second quarter earnings from IBM.

Analysts expect many of the Japanese electronics groups to be hit by slowing demand and increasing inventories. Hitachi dipped Y4 to Y748 and Fujitsu Y14 to Y569. Rumours that Sony was going to announce a downward revision in its earnings forecast sent the issue down Y90 to Y3,940.

Brokerage houses were also sold on a depressing earnings outlook. Market participants expect their revenues to suffer from the low market volumes. Nomura Securities receded Y30 to Y1,240 and Nikko Securities Y20 to Y511.

In Osaka, the OSE average finished 408.54 weaker at 17,942.53, its lowest closing level since November 1986. Volume expanded from 15.8m shares to 23.4m.

Roundup

THE REGION'S markets showed mixed performances yesterday, while Hong Kong was closed down because of the approach of a typhoon.

SINGAPORE regained some ground after two consecutive days of declines. The Straits Times Industrial index improved 2.44 to 1,436.90 with some 45.8m shares traded.

Among the active issues, SIA put on 20 cents to S$12.90 and Industrial Commercial Bank gained 15 cents to S$6.20.

SEOUL achieved a 2.7 per cent advance in moderate trade, the composite index ending 14.16 ahead at 526.00. Turnover grew to Won162.96bn from Won107.53bn. Rises outnumbered falls by 680 to 101 and a total of 248 shares attained their upper limits for the day.

AUSTRALIA saw a strong opening but then declined in reaction to Tokyo's fall. The All Ordinaries index shed a net 2.0 at 1,607.2.

Rothmans, down 50 cents to A$6.70, registered one of the day's steepest falls after the resignation of the chief executive. This is the first time that the shares have closed below A$7 since 1987.

Banks were mostly weak, although National Australia Bank added 3 cents at A$7.90 in the wake of Tuesday's bid for Bank of New Zealand.

TAIWAN finished slightly lower after early buying in low-priced issues failed to boost sentiment. The weighted index lost 4.22 at 4,154.80 and turnover contracted to T$18.57bn from T$23.73bn.

Food, plastic, textile and cement shares showed gains but other sectors fell.

NEW ZEALAND's NZSE-40 index ended 8.43 higher at 1,568.51. Fletcher Challenge rose 8 cents to NZ$3.38 and Carter Holt Harvey firmed 5 cents to NZ$2.65. Air New Zealand closed at a year's high, up 6 cents at NZ$2.51.

Independent Newspapers moved up 25 cents to NZ$5.55 on rumours that News Corp might sell part of its 49 per cent holding.

MANILA closed stronger on bargain hunting. The composite index gained 20.75 at 1,453.79, with Philippine Long Distance Telephone ahead 20 pesos at 1,025 pesos. Combined turnover declined to 313.7m pesos from 371.6m pesos.

KUALA LUMPUR rose in heavy trading, with interest focused on speculative stocks. The composite index moved up 3.63 to 608.79. Extended trading hours, which began yesterday, contributed to the high volume of 166m shares.

BANGKOK's SET index added 3.71 at 757.96 in low turnover of Bt6.42bn. Advancing issues outpaced losers by 139 to 71.

Volume improves in Brussels and Paris

John Pitt on a generally depressing month for European turnover

After the roller-coaster ride of the last few days, June seems a long time ago. Almost lost now in the mists of time was the shock that greeted the Danish referendum result on the Maastricht treaty. The 'No' vote took Europe by surprise, and sent jitters through the financial markets.

With President François Mitterrand, of France, opting to put the treaty to referendum in September and Prime Minister John Major, of the UK, fending off a revolt among members of his own Conservative party who wished to distance themselves from the Continent, the view took hold that the treaty's political and economic convergence theories were in serious danger of collapsing.

Consequently, volumes were depressed, with two main exceptions: both Belgium and France registered significant improvements against May. Elsewhere, turnover shrank by between 18 per cent, in the case of the Netherlands, and 3 per cent, for the UK.

Belgium's increase is partly ascribed to the fact that May's volume had been depressed by the large number of companies going ex-dividend. However, the market was also less affected by the Maastricht fallout than other European bourses.

In a recent report, Ms Rachael Rowe of Kleinwort Benson notes that in spite of this, daily volume remained below BFr1bn ($32.7m) and was likely to stay there for some time to come. Nevertheless, she says that "within a European context, Belgium has been one of the best performing markets against a background of general nervousness surrounding the future of the Maastricht treaty".

"Most of the bad news in terms of company projections for 1992 earnings, the decreasing likelihood of an interest rate cut in Germany by the year's end, and a weak economic environment has already been digested by the market," she wrote.

The situation in France, which saw the biggest climb in volume during the month, was a consequence of heavy selling following the Danish vote and President Mitterrand's decision to call an autumn referendum.

Mr James Cornish of County NatWest, who supplies the monthly data, notes that "end-quarter options and futures expiry and window dressing at the end of the first half of the year" also swelled the figures.

A weaker dollar and further worries about the pace of US economic recovery affected the Netherlands, which prompted investors to switch out of cyclical stocks and into defensive issues.

Negative corporate news, particularly from Philips, the Dutch-based electrical giant, also affected sentiment. Philips lost 18 per cent in one day as analysts downgraded the stock following a profits warning from the company.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Mar 1992	Apr 1992	May 1992	June 1992	US $bn
Belgium	48.28	51.36	40.60	50.14	1.60
France	108.97	112.17	100.16	134.26	26.20
Germany	126.68	107.90	125.60	109.97	72.21
Italy	5,944.80	7,457.20	9,747.60	8,594.77	7.46
Netherlands	11.60	12.20	14.70	12.00	6.99
Spain	607.28	461.52	513.47	515.35	5.37
Switzerland	11.88	12.48	13.29	12.46	9.06
UK	32.59	41.17	35.35	34.05	64.79

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: County NatWest WoodMac.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 22 1992								TUESDAY JULY 21 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (89)	142.20	+0.2	110.76	114.02	110.05	126.46	−0.1	4.31	141.95	110.24	112.39	109.85	128.56	153.68	140.94	148.05
Austria (19)	155.48	−0.5	121.10	124.68	120.33	120.52	−0.6	2.42	156.31	121.39	123.76	120.96	121.27	186.70	155.48	178.89
Belgium (42)	147.42	−0.8	114.82	118.20	114.08	111.43	−1.6	5.52	148.58	115.39	117.62	114.98	113.22	152.27	135.87	129.59
Canada (115)	127.46	−0.1	99.27	102.19	98.63	109.68	−0.3	3.23	127.52	99.11	101.04	98.76	110.20	142.12	124.32	139.35
Denmark (35)	237.60	+0.0	185.06	190.52	183.87	185.17	+0.0	1.90	237.59	184.52	188.11	183.86	185.16	273.94	226.81	254.87
Finland (15)	74.46	−0.7	58.00	59.71	57.62	63.59	−0.4	2.22	75.00	58.25	59.38	58.04	63.82	89.80	73.64	96.54
France (104)	153.22	−1.7	119.34	122.85	118.56	120.83	−1.8	3.88	155.88	121.06	123.41	120.62	122.99	168.75	148.06	131.32
Germany (65)	121.07	−1.1	94.30	97.09	93.69	93.69	−1.1	2.46	122.45	95.10	96.96	94.76	94.76	129.69	114.87	106.23
Hong Kong (54)	250.57	+0.0	195.16	200.91	193.92	248.90	+0.0	3.29	250.57	194.67	198.46	193.99	248.90	259.55	176.38	168.75
Ireland (16)	158.57	+0.2	123.51	127.15	122.71	125.00	+0.3	4.22	158.21	122.87	125.26	122.43	124.57	173.71	151.78	154.53
Italy (78)	62.71	−0.1	48.85	50.28	48.53	52.86	−0.4	3.95	62.80	48.77	49.72	48.60	53.04	80.86	62.71	75.51
Japan (473)	93.29	−3.2	72.66	74.80	72.20	74.80	−2.0	1.14	96.36	74.84	76.29	74.58	76.29	140.85	88.70	129.33
Malaysia (69)	246.88	+0.1	192.29	197.95	191.05	237.57	+0.0	2.64	246.68	191.58	195.30	190.89	237.47	250.47	212.49	228.07
Mexico (18)	1467.05	+0.6	1142.65	1176.34	1135.30	4994.85	+0.6	1.20	1458.01	1132.34	1154.34	1128.31	4966.85	1789.77	1355.22	1132.92
Netherland (25)	160.56	−1.0	125.05	128.74	124.25	123.00	−1.0	4.56	162.13	125.92	128.36	125.47	124.25	167.29	147.88	139.25
New Zealand (14)	47.08	+0.4	36.67	37.76	36.44	45.60	+0.3	4.98	46.90	36.42	37.13	36.29	45.46	48.52	42.01	46.92
Norway (23)	164.29	−1.5	127.96	131.73	127.14	130.50	−1.5	1.93	166.71	129.47	131.99	129.01	132.43	192.95	161.26	196.65
Singapore (38)	209.36	−0.1	163.07	167.87	162.01	155.67	−0.1	2.13	209.64	162.81	165.98	162.23	155.88	229.63	192.76	198.26
South Africa (61)	199.75	−1.6	155.58	160.16	154.57	169.71	−1.3	3.04	203.08	157.72	160.78	157.15	171.88	263.60	197.04	245.04
Spain (49)	137.46	−2.0	107.07	110.23	106.38	99.40	−2.1	5.91	140.27	108.94	111.06	108.55	101.48	161.72	137.46	148.23
Sweden (29)	184.46	−1.7	143.67	147.91	142.75	147.66	−1.6	2.76	187.58	145.63	148.52	145.17	150.10	200.28	173.09	193.93
Switzerland (62)	108.99	−1.5	84.89	87.40	84.35	89.29	−1.7	2.40	110.65	85.94	87.61	85.64	90.79	113.88	95.99	93.47
United Kingdom (226)	180.73	−1.5	140.77	144.90	139.85	140.77	−1.2	5.28	183.39	142.43	145.18	141.91	142.43	200.07	165.85	174.37
USA (522)	167.37	−0.7	130.36	134.21	129.53	167.37	−0.7	2.99	168.52	130.88	133.43	130.42	168.52	171.66	160.92	153.23
Europe (790)	145.95	−1.3	113.67	117.03	112.95	113.73	−1.3	4.25	147.90	114.87	117.10	114.46	115.18	156.88	139.31	137.83
Nordic (102)	172.69	−1.1	134.50	138.47	133.64	131.83	−1.0	2.38	174.55	135.56	138.19	135.08	133.21	188.52	169.66	188.07
Pacific Basin (717)	100.33	−2.7	78.15	80.45	77.64	81.52	−1.7	1.51	103.11	80.08	81.64	79.80	82.89	141.97	94.40	130.91
Euro−Pacific (1507)	118.78	−2.0	92.51	95.23	91.91	94.84	−1.5	2.87	121.23	94.15	95.97	93.81	96.24	145.21	113.80	133.99
North America (637)	164.86	−0.7	128.41	132.21	127.60	163.45	−0.7	3.00	165.95	128.89	131.40	128.45	164.55	189.69	158.70	152.29
Europe Ex. UK (562)	124.82	−1.2	97.22	100.11	96.61	98.11	−1.3	3.51	126.37	98.15	100.07	97.82	99.42	132.98	121.81	116.07
Pacific Ex. Japan (244)	169.79	+0.1	132.25	136.17	131.41	151.26	+0.0	3.56	169.68	131.78	134.36	131.33	151.30	175.31	149.00	146.58
World Ex. US (1701)	120.80	−1.9	94.09	96.87	93.49	97.31	−1.4	2.87	123.17	95.65	97.52	95.32	98.69	146.91	116.45	135.93
World Ex. UK (1995)	131.31	−1.4	102.28	105.30	101.63	116.50	−1.1	2.62	133.19	103.44	105.46	103.08	117.79	150.58	127.21	137.54
World Ex. So. Af. (2162)	135.20	−1.4	105.30	108.42	104.63	118.27	−1.1	2.92	137.13	106.50	108.58	106.13	119.59	153.05	130.04	140.06
World Ex. Japan (1750)	159.09	−0.9	123.91	127.58	123.14	144.08	−0.8	3.46	160.48	124.63	127.06	124.21	145.30	165.40	153.20	148.13
The World Index (2223)	135.58	−1.4	105.60	108.72	104.93	118.74	−1.1	2.92	137.52	106.81	108.89	106.43	120.07	153.70	130.66	140.76

Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities Limited. 1987
Hong Kong closed July 22.

CHOOSE AN FT DIARY TO SUIT YOUR POCKET

It's hardly surprising that the FT diaries have a worldwide reputation for the highest standards in both quality of presentation and content. No other diary draws on such an authoritative source as the Financial Times.

Our prestigious range of pocket diaries continues to set the standards others follow, exemplified by the quality of the materials used – luxurious thick paper, heavy gilt edges, non-fraying marker ribbons, personalisation of your name in rich gold blocking.

This year the FT Pocket Diary and the FT Pink Pocket Diary will include a detachable Personal Telephone Directory tucked inside the back of the diary. It has a silver laminated cover and alphabetically indexed pages.

The FT Pocket Diary. 34 information-packed pages detail 26 international business centres, including local business hours, currencies, stock exchanges and public holidays plus hotels, restaurants and airports. Comprehensive UK coverage ranges from airports and car hire to theatres and cinemas. The week to view diary runs from 14th December 1992 to 2nd January 1994.

The FT Pocket Diary comes in three bindings to match the FT Desk Diary – rich black leather, burgundy bonded leather and black leathercloth.

The FT Pink Pocket Diary with its unique landscape format, week to view diary and FT pink pages is bound in black bonded leather.

The FT Slimline Pocket Diary. Covered in black bonded leather with FT-pink paper and matching ribbon, the FT Slimline Pocket Diary's fortnight to view format allows you to check your comings and goings at a glance. The overseas and UK information guides make it ideal for the executive on the move.

The FT Wallet Diary. Features the FT Pocket Diary bound into a beautiful gilt-cornered black leather wallet, lined in black moiré silk. It also comes with a jotter pad and a pocket for bank notes – you can't get more useful than that.

FT COLLECTION – A QUALITY PROPOSITION.

What we've shown here is but a small sample of the wide range in the FT Collection, so why not send for the FT Collection colour catalogue and see for yourself – it is packed with many invaluable business essentials from diaries to document cases. Contact us now on 071-799 2002, or write to FT Collection, FT Business Information, 50-64 Broadway, London SW1H 0DB, or send your business card.

FIRST IMPRESSIONS THAT LAST.

All items will be doubly welcome if they are personalised with initials and/or surname in high quality, long-lasting, gold blocking. It's this kind of personal touch that enhances the pleasure and worth to the user.

THE WORLD'S MOST APPRECIATED BUSINESS GIFTS.

Our business gift services include • Gold blocking of your logo • Up to eight publicity pages in the diaries and personal organiser • Direct despatch of your gifts to the recipients together with your compliment slips or greetings cards • Samples.

We will even reserve your choice of FT Collection gifts if you are unable to finalise your gift list early in the year.

LARGE ORDER DISCOUNTS.

Furthermore – order 25 items or more from the FT Collection and you will qualify for discounts of up to 25%.

DISTINCTIVE GIFTS THAT MAKE GREAT COMMERCIAL SENSE.

Contact us now on 071-799 2002 for more details on our business gift services, or write to FT Collection, FT Business Information, 50-64 Broadway, London SW1H 0DB.

ORDER FORM REF. 3013330000

Please tick where applicable.
☐ Please send me the FT Collection Catalogue and Order Form.
☐ I am interested in using the FT Collection as business gifts, please send me details.
☐ I wish to place a firm order as detailed below.

Name (Mr/Mrs/Miss/Ms) ______ (PLEASE PRINT)
Position ______
Company ______
Address ______
______ Postcode ______
Telephone ______

FOR YOUR FREE FT COLOUR CATALOGUE RING 071-799 2002 NOW!

Please return to:
FT Collection,
FT Business Information,
50-64 Broadway, London SW1H 0DB.
Tel: 071-799 2002. Telex: 927 282 FINTIM G.
Fax: 071-799 2268.

How to complete your order.
1. Indicate the quantity and type of diary you require.
2. Indicate how many diaries you wish to have gold blocked with initials and/or surname.

PRODUCT	CODE	QTY	UK (inc VAT) £	QTY	EUROPE £	REST OF THE WORLD QTY	REST OF THE WORLD AIRMAIL £	SUB TOTAL £
1993 DIARIES								
Pocket Diary, black leather	PL		14.50		12.55		12.85	
Pocket Diary, burgundy bonded leather	PB		13.39		11.60		11.90	
Pocket Diary, black leathercloth	PC		12.09		10.55		10.85	
FT Pink Pocket Diary	PP		14.09		12.40		12.85	
Slimline Pocket Diary	SP		12.15		10.60		10.90	
Wallet Diary	WD		23.00		20.05		20.60	
PERSONALISATION								
Initials Only (up to 4 characters)	I		2.47		2.10		2.10	
Initials and Surname (up to 20 characters)	IS/N		4.41		3.75		3.75	
							TOTAL £	

All prices shown are inclusive of postage and packaging.
Please attach any initials and/or surname details on a separate sheet.
The information you provide will be held by us and may be used to keep you informed of other FTBI products and may be used by other selected quality companies for mailing list purposes.

HOW TO PAY.
BY PHONE. You can pay by credit card by placing your order on our Credit Card Order Line 071-799 2274.
BY FAX. If you wish to pay by credit card you can fax this order to us on our Credit Card Fax Order Line 071-799 2268.
BY MAIL. Return this order form with your payment to the address given above.
Payment must accompany your order, and cheques should be drawn on a UK bank account made payable to "FT Business Information".
Tick method of payment.
Cheque ☐ Money Order ☐ ☐ ☐ ☐
Card No.
Expiry Date:

Despatch No.:
Date Received:

CREDIT CARD ORDER LINE
071-799 2274

Cardholder's Name (Block Capitals):
Cardholder's Signature:

For further information on business gift orders please ring 071-799 2002.